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NEWS SUMMARY

GENERAL

Israelis step up revenge attacks

Israel launched heavy air raids against Palestinian targets in South Lebanon after Israeli Deputy Defence Minister Mordechai Zipori said it would intensify war against guerrillas.

The raids followed Palestinian rocket attacks that killed three civilians.

Israel said it destroyed guerrilla bases in Damour and near Tyre and Sidon, and five bridges across the Zahrani and Litani rivers. Page 3

Polish crop threat

Part of Poland's bumper grain and sugar beet crops may be lost because of a shortage of vital harvesting machinery and spare parts. Page 2

U.S. nuclear test

The U.S. exploded a nuclear device "equivalent to less than 20,000 tons of TNT" underground in Nevada. Reagan guidelines for nuclear technology, Page 4

Iran firebombs

Islamic bookshops and clergymen's homes were destroyed in a spate of fire bombings in Tehran, Iranian newspapers said.

Uranium for Iraq

Portugal will sell Iraq 130 tonnes of unenriched uranium this year, Portugal's Energy secretary Joao Carreira said.

Bomb pamphlets

Pamphlets on how to make petrol bombs were distributed in Christchurch, New Zealand, where the South Africans start their rugby tour on Monday.

Gaul to stay

Malta has rejected Britain's application for the extradition of millionaire John Gaul, wanted for questioning about his fourth wife's murder.

Japanese mission

Japan is to send five MPs to Moscow in late August to discuss the dispute over four Soviet-held islands off Hokkaido.

Jailed for arson

Dustman John McKenna, who set fire to his neighbours' house because they were noisy, was jailed for 27 months at the Old Bailey.

Alcohol warning

Safety warnings about alcohol's effects should be carried on alcoholic drink containers, says the National Council of Alcoholism. Page 5

Hotel death fall

British tourists Gavin Harmer, 20, and David Howell, 21, fell to their deaths from the fifth floor on a hotel in Lloret de Mar, Spain.

Plea from jail

Married couple Noel and Marie Murray, serving life in the Irish Republic for murder, started a court action for restoration of conjugal rights.

Going for a song

Royal Wedding choristers will get up to £875 each from a radio and TV pay deal for singing in St Paul's on July 29.

Briefly . . .

Princess Anne's daughter, Zara, will be christened at Windsor Castle's private chapel on July 27.

Jockey Joe Blanks, 24, injured in a race last week, died at Royal Sussex Hospital, Brighton.

BUSINESS

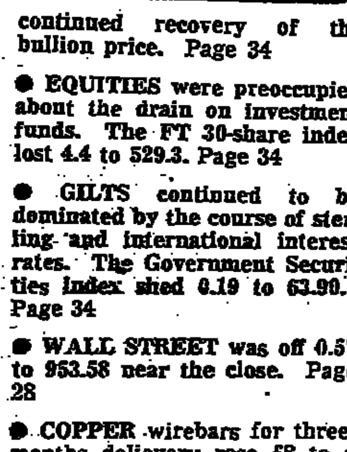
Sterling weaker; gold mines up

● STERLING fell 70 points to $1.8835. It closed at FFr 10.7450 (FFr 10.8250) and DM 4.54 (DM 4.5550). Its trade-weighted index was 92.1 (92.4). Page 27

● DOLLAR fell to FFr 5.7070 (FFr 5.7275) but rose to DM 2.4095 (DM 2.4075) and Y231.35 (Y230.50). Its trade-weighted index was 110.1 (110.4). Page 27: Japan to support Yen, Back Page

● GOLD rose $2.5 to $417.5. Page 27

● GOLD MINES index jumped 19.2 to 335.2, prompted by the



continued recovery of the bullion price. Page 34

● EQUITIES were preoccupied about the drain on investment funds. The FT 30-share index lost 4.4 to 529.3. Page 34

● GILTS continued to be dominated by the course of sterling and international interest rates. The Government Securities index shed 0.19 to 63.90. Page 34

● WALL STREET was off 0.57 to 953.58 near the close. Page 28

● COPPER wirebars for three-months delivery rose £8 to a nine-month high of £932.25 a tonne. Page 33

● STERLING M3, the broadly defined money supply, rose by 0.2 per cent last month. Back Page; table, Page 7

● TOTAL UK output will remain below its 1979 peak level for the first half of the decade, according to an Economist Intelligence Unit assessment. Page 5

● U.S. GOVERNMENT is urging the development of strategic gas reserves in the North Sea to counteract the danger of the Soviet Union cutting off Siberian gas supplies to Western Europe. Back Page; North Sea spot prices rise sharply, Back Page

● FRANCE and Mexico resolved their row over the price of Mexican oil supplies. Page 4

● UNIT TRUST sales rose by nearly £40m in June to a record £110.1m. Page 6

● ILLINGWORTH MORRIS director Mrs Pamela Mason called for the dismissal of the textile group's three chief executives. Page 20

● READYMIX CONCRETE is to buy a 49 per cent stake in Rheinisch-Westfälische Kalkwerke, a West German limestone producer, in a deal worth about DM55m. Page 21

● R. J. REYNOLDS, largest U.S. cigarette manufacturer, reported second-quarter profits 21 per cent higher at $198.2m (£105.23m). Page 24

● ROTHMANS International pre-tax profits fell by £9.3m to £71.2m in the year to end March. Page 20; Lex, Back Page

● DISTILLERS COMPANY, whisky, gin and vodka group, reported reduced taxable profits of £181m (£193.9m) for the year to end March. Page 20; Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...nspt. 3pc '78-88...£60½	+	1
...tlsa Inv.	205	+ 17
...llied Residential	34	+ 4
...lliatt London	230	+ 10
...arget	223	+ 25
...ell (A.)	145	+ 8
...alin	85*	+ 13
...atalin	300	+ 7
...urotherm	108	+ 6
...irth (G. M.)	43	+ 5
...indman (H.)	488	+ 10
...US A	33	+ 3
...anger Invs.	428	+ 16
...aslemere Estates	175	+ 10
...aim Pitt	165	+ 9
...egional Prop. A	50	+ 10
...angers	105	+ 6
...nigate	57	+ 5
...iggin Construct.	£44½	+ 2½
...ngio Amer. Gold	624	+ 40
...st Rand Props.	£20½	+ 2½
...S Geduld		
Geevor Tin	110	+ 5
Hampton Areas	230	+ 28
Hartebeest	£27½	+ 1½
Hill 50 Gold	38	+ 3
Northern Mining	200	+ 10
Poseidon	220	+ 10
Pres. Brand	£20½	+ 1½
Randfontein Ests.	£23½	+ 1½

FALLS

Exchqr. 3pc 1983	£90½	− ½
Treas. 12½pc 1993	£84	− ½
Allied Colloids	146	− 7
Braby Leslie	46	− 6
Clark (M.)	136	− 6
Forward Technlgy.	79	− 5
GEC	730	− 10
Gestetner A	59	− 16
Grindlays Bank	240	− 10
Reed (Austin) A	85	− 5
Vickers	151	− 6

* Price at suspension

Heseltine appointed to head inner-city improvement drive

BY RICHARD EVANS, LOBBY EDITOR

MR. MICHAEL HESELTINE, the Environment Secretary, is to spearhead a Government drive to improve co-ordination of Government and local government efforts in deprived inner city areas.

The initiative, confirmed at a Cabinet meeting yesterday which concentrated on the recent spate of rioting across the country, represents a significant softening in the Government attitude toward what many of its others regard as the root cause of the disturbances.

It is a deliberate move by Ministers to defuse tensions on Merseyside, in Manchester and in areas of London where there has been rioting and looting. It balances the heavy emphasis on tough measures to support the police outlined by Mr William Whitelaw, Home Secretary, in the Commons on Wednesday.

Mr Heseltine, who will be accompanied by Mr Timothy Raison, Minister of State at the Home Office, the iMnister responsible for race issues, will spend the next fortnight on Merseyside consulting local authority and community leaders, and others, in what is regarded as a pilot exercise.

He will then report back to the Cabinet with recommendations on how best to co-ordinate oGvernment and local authority attempts to make maximum use of funds available to deprived areas.

The intention is not just to help Merseyside, though the area was chosen because of the particularly acute problems in Toxteth, but to draw conclusions from the study that can be implemented in other affected areas.

During Mr Heseltine's absence Mr Tom King, his deputy, will be in charge of the Department of the Environment.

The move was warmly welcomed by some Labour MPs, particularly those from Liverpool, but others were sceptical about its true significance.

It was confirmed afterwards that there was no promise of more Government money being made available for inner cities, but the point was made that vast sums of cash already pumped into areas like Merseyside had clearly not worked. A fundamental inquiry was, therefore, worthwhile.

The despatch of Mr Heseltine to Merseyside — he will have his first meeting with local authority leaders on Monday — was announced by Mr Whitelaw in a balanced and authoritative speech which launched the Commons debate on the disturbances and managed to calm many apprehensions of both Conservative and Labour MPs.

On the one hand, he stressed the necessity of giving maximum support to the police in quashing outbreaks of violence, but also admitted that social deprivation had been a substantial contributory cause of the violence.

At the same time, he announced that the Metropolitan Police Commissioner had ordered an inquiry into the police raids in the Railton Road area of Brixton in the early hours of Wednesday, which led to a fresh outbreak of rioting.

Mr Roy Hattersley, Opposition ome Affairs spokesman, protested that on the evidence so far available the raids had been wrong in principle and in practice.

Mr Whitelaw was non-committal, as an inquiry had

Continued on Back Page
Parliament, Page 8

Civil servants offered £30 if strikes called off

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT yesterday made its most determined attempt so far to end the 19 week Civil Service pay dispute when it put forward informally a once-only payment of £30 on condition that the selective strikes are called off.

The offer which also included the promise of arbitration on next year's deal if necessary, is expected to be formally tabled today.

The £30 would take the offer from 7 per cent to about 7½ per cent. While officials were stressing that the extra half per cent is still kept within the six per cent cash limit, the concession is politically significant for the Government and is the first alteration in the money on offer since the strikes began.

However, it was made clear to the Council of Civil Service Unions that if the offer was rejected, the Government would reply by further tough action in the form of withdrawal of the entire seven per cent.

The council's major policy committee and a number of individual union executive committees met last night to consider whether the concessions were enough to allow the campaign of selective strikes to be called off.

While no firm conclusion is likely to be reached until after the formal offer it is thought the imporved package might be acceptable to the majority of union members.

hWile both the clerical Civil and Public Services Association and the technical and scientific Institution of Professional Civil Servants seem likely to accept it albeit reluctantly, the executive of the middle-grade Society of Civil and Public Servants rejected it yesterday. The Inland Revenue Staff Federation, which has borne the brunt of the strikes, also seemed unhappy.

With the Society in particular, though, there is often a marked gap between the mood of the executive and of the union's less militant membership.

Mr Bill Kendall, CCSU Secretary-General, attempted to get the offer put formally yesterday. Some union leaders are conscious of the likelihood of strong criticism from members of anything smacking off backstairs deals.

The unions also sought clarification on the Government's condition that the offer be accompanied by an end to the strikes. Some union leaders believe that the strikes can only be called off after consulting with union members, but some are keen not to lose the opportunity both of an improved offer and of an end to the action because of internal union protocol.

Despite its informal offer, the Government yesterday continued its tough line against those civil servants taking action, particularly in sensitive benefit-payment areas.

Notices of suspension were given to a further 95 Department of Employment staff who have bene refusing to handle unemployment benefit Giro cheques blacked by the unions because they have been brought out of a strike-bound cheque centre at Watford by outsiders.

The total on strike or suspended in local benefit offices stood last night at 422, with further action possible today. A further two local offices, in Bootle and Pontypool, stopped paying out benefit to bring the total to seven.

In Hackney, East London, perhaps the worst-hit area and one close to scenes of some of the recent street rioting, the local council is believed to have agreed to pay out money to the unemployed and then reclaim it from the Department of Health and Social Security.

The unions have also taken out advertisements today in a number of national newspapers urging public service pensioners to apply directly to the Paymaster General's Office for short-term help after union action has halted their pension payments.

BP's record-breaking rights issue raises £600m

BY RICHARD LAMBERT

BRITISH PETROLEUM'S record-breaking rights issue was brought to a successful conclusion yesterday morning after one of the biggest share placings ever handled on the London Stock Exchange.

The rights issue will raise BP some £600m net of expenses. At one stage last week it looked as though it would go down in the record books not only as the biggest UK equity issue of all time but also as the biggest flop on record.

However the 65.8m shares which had not been taken up by BP's shareholders were placed with scarcely a ripple yesterday morning largely in the hands of UK institutional investors. One broker estimated that up to 10m more shares could have been sold if they had been available.

The placing price was 140.07p per partly paid share. This compares with 150p in the market before the news and was just a fraction above the minimum level at which the shares could have been sold under the terms of the issue.

Since a large number of shares were sold in fully-paid form the placing must have amounted to substantially more than £100m.

In all, BP's shareholders took up 161m of the shares which had been offered to them, or 71 per cent of the total on offer.

The issue was complicated by the fact that they had been offered shares at two separate prices. The basic rights issue was made at 275p per share, with a first call of 125p due last Monday. Shareholders took up 91.6 per cent of the shares offered on these terms.

Also on offer were 101m new shars which were the entitlement of the UG Government as a major shareholder in BP. The Government had decided that it could not buy these shares in the present financial climate, and agreed to sell them to BP's other shareholders at a premium of 15p over the basic price.

It was this tranche of the issue which towards the end of last week had looked set to be left with the underwriters. BP's share price slipped to below 290p, at which point the rights were effectively worthless.

But the share price had rallied sufficiently by Monday this week to attract a respectable level of demand for the shares. In the end, 45.4 per cent of the Government's shares were taken up by BP's other shareholders.

At 8.30 am yesterday, the three brokers to the issue—Scrimeour Kemp-Gee, Hoare Govett, and Rowe and Pitman—were told precisely how many shares had not been taken up in the issue. At about 9 am, they conferred with the jobbers on the terms of the placing, and the selling started at about 9.15 am. By 10 am it was all over, bar the paperwork, and the underwriters of the issue were off the hook.

North Sea spot price up and Lex, Back Page

Rail pay probe proposes 10½%

BY PHILIP BASSETT, LABOUR STAFF

BRITISH RAIL is facing the possibility of national strike action if, as seems likely, it is unable to meet in full an independent inquiry's recommendation that its pay offer to 180,000 workers be increased from 7 per cent to 10.5 per cent.

The British Railways Board executive was meeting last night to consider the findings of the tribunal, chaired by Lord McCarthy, which yesterday recommended an immediate 8 per cent increase backdated to April 20, followed by another 3 per cent on present rates on August 1.

To help the low-paid, the tribunal recommended a 15 per cent increase in the minimum earnings level, currently £66.60, and a formula for calculating London weighting which would increase the allowance from its present £450 to about £600 if applied in full.

The overall cost of the package was put by the tribunal at about 10.5 per cent. It hoped it would form the basis for a settlement, but said that "given the financial and market constraints that press on the industry, adequate pay and conditions should improve productivity."

Union leaders were satisfied with the recommendation, though it does not meet their claims for rises of about 13 per cent. It will be put today to executives of the Associated Society of Locomotive Engineers and Firemen (Aslef), the train drivers' union, and the National Union of Railwaymen. Mr Sid Weighell, NUR general secretary, predicted his executive could "live with" the recommendation.

But for BR, which stressed that its original proposal of 7 per cent was a "high risk" offer—the size of the recommendation is shattering.

It already expects to make a loss of about £100m this year, after sharp declines in passenger and freight receipts, according to latest available figures. It also expects to exceed its £972m cash limit by about another £100m, and could not hope for more money from the Government to finance the extra pay increase.

Meeting the extra amount recommended would cost about £56m, taking the total cost to about £170m. Offsetting this would require an increase of nearly 10 per cent in receipts.

The board will discuss the recommendation with the unions at an early meeting, probably next Thursday, of the Railway Staffs' Joint Council, the industry's highest-level negotiating body.

It will probably be unable to meet the recommendation in full, prompting some union officials last night to talk about national strike action.

BR will go to the talks with some proposals for trying to match the recommendation, possibly through increased productivity. However, because this would be the first deal in some years to have no productivity strings attached, the unions would not be keen on this.

● London Transport was meeting rail union leaders last night over the all-out Tube strike threatened for next Monday. LT has offered the unions 10 per cent.

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£ in New York

	July 15	Previous
Spot	$1.8900-8920	$1.8750-8780
1 month	0.70-0.75 pm	0.98-1.05 pm
3 months	2.05-2.15 pm	2.25-2.35 pm
2 months	5.05-5.25 pm	5.15-5.35 pm

U.S. 'firm on monetary policy'

BY DAVID LASCELLES IN NEW YORK

THE U.S. will not yield to mounting pressure from abroad to deviate from its firm monetary policy, Mr. Paul Volcker, chairman of the Federal Reserve, said yesterday.

His remarks, made in testimony to a Congressional committee, came only three days before the economic summit in Ottawa at which other Western leaders are expected to press the U.S. to ease the high level of its interest rates because of the damaging impact on their own economies.

Mr Volcker stressed the overriding importance of his country's battle against inflation. He urged other countries to show understanding and patience with what the U.S. was trying to do because it would benefit them in the long run too.

It was in the "fundamental interests" of other countries that the U.S. restore stability to its domestic prices and to the dollar exchange rate, he said. The U.S. could not assume responsibility for other countries' problems, which were often due to local policies.

Mr Volcker also made it clear that it would be wrong for the Fed to ease its tough monetary policy now.

"If the Federal Reserve were to deviate from its policy of monetary restraint in an effort to lower interest rates, any seeming short run relief would have to be balanced against the susbtantial risk—for the U.S. and the rest of the world—of excessive credit growth, a further hardening of inflationary expectations, and still greater interest rate pressures in the future," he said.

He rejected charges that the U.S. had been deliberately trying to push up interest rates or bolster the dollar.

"The Federal Reserve has neither an interest rate nor an exchange rate objective," he said. U.S. interest rates had, if anything, declined relative to interest rates in other industrialised countries since the end of last year.

"U.S. interest rates are now about 1 per cent less than the December average. Interest rates on the continent of Europe are appreciably higher, yet their currencies have depreciated substantially relative to the dollar," he said.

Although Mr. Volcker acknowledged that there had been strong foreign criticism of U.S. monetary policy, he said he believed many outside observers, notably central bankers, backed the Fed's broad objectives and shared its view that there could be no easy answers.

He hoped the Ottawa summit would improve participants' understanding of each others' problems. "We must all resist the temptation to become inward-looking at this difficult period," he said.

House acts on foreign takeovers, Page 4; Ottawa preview, Page 18; Money Markets, Page 27; Japan to support Yen, Back Page

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For latest Share Index phone 01-246 8026

Threat to bumper grain crop in Poland

BY CHRISTOPHER BOBINSKI IN WARSAW

PART OF Poland's bumper crops of grain and sugar beet may be lost because of an acute shortage of vital harvesting machinery and spare parts.

With the harvest due to begin within days, some 60,000 tractors and 3,000 combine harvesters are standing idle for want of tyres, batteries and other spares.

Cereal crops are expected to yield 21m tonnes of grain compared with 18.3m tonnes last year, and farmers have grown an estimated 16m tonnes of sugar beet compared with last season's disastrous crop of 10.1m tonnes.

The rape crop, however, which produces vital cooking oil, is expected to fall 150,000 tonnes short of last year's 450,000 tonne harvest.

If the sugar factories work properly, the Ministry of Agriculture expects a yield of almost 2m tonnes of sugar. The refineries, however, are in a poor mechanical state and short of coal.

Latest figures on food production also show that recent sharp increases in the prices paid to farmers for their produce have had little impact on falling output.

Supplies of meat in the first six months of the year were 18.4 per cent lower than in the first half of 1980. The amount of milk delivered slumped 15.4 per cent and egg supplies fell 2.5 per cent.

Prospects are also grim for the coming three months. Farmers have contracted to sell the state 25.8 per cent less pigmeat than in the comparable quarter of last year. Beef supplies will be 24.3 per cent lower.

Many staple foods are already rationed in Poland, including meat, flour, butter, rice and sugar. The forecasts for the coming months suggest that consumers can expect no improvement in supplies.

While the Government has been hoping for good weather and a big harvest to help reduce the need for hard currency food imports, farmers have been warning since winter that the shortage of spares could dash its hopes.

Industry also continued its decline. Industrial production from January to the end of June fell by 12.5 per cent. Wages, meanwhile, increased by 24.1 per cent and employment fell by only 0.3 per cent.

Airline strike to go ahead next week as talks collapse

BY ROGER BOYES

THE STAFF of Lot, the Polish national airline, intend to go ahead with an all-out strike next week following the breakdown on Wednesday of talks with the Government. The strike threat, which follows a series of token work-stoppages, poses a direct challenge to the Government and will be the first full-scale aviation strike in Eastern Europe.

The airline's workers yesterday distributed strike leaflets in Warsaw and plastered posters calling for workers' control on the walls of the capital's airport. The dispute stems from their determination to appoint their choice of director general, Mr Bronislaw Klimaszewski, instead of accepting a nominee of the ruling Communist Party.

The row thus hits directly at the party's traditional right to select the heads of all main state enterprises and also touches on the delicate question of national security. The party feels it is essential for one of its men to head the airline, partly because the Soviet Union would be extremely concerned if radical workers had effective control over Polish air space and, by implication, overflying rights.

There are other fears, too—for example that a worker-director could advocate the replacement of the current aging Soviet-built air fleet with western aircraft, and thus further upset the Russians.

Lot activists believe these anxieties have been overstated and that if the party means what it says about mending fences with the workers it should accept the principle of workers' control. Mr Stanislaw Kania, the party chief, made a careful distinction earlier this week between workers' participation in management—which was acceptable to the party—and workers' control, which was not.

The strike is planned from July 24 but a meeting of Solidarity, the independent union, is scheduled shortly before, giving the Government a last chance to back down. However, it would find it extremely difficult to do so and seems to be sticking to its choice of an air force general as the next head of Lot.

Last week, Mr Lech Walesa, Solidarity's leader, expressed his support for the Lot workers' demands though he indicated that he had doubts about the tactics. Some Solidarity leaders would have preferred the strike to be delayed until after the current party congress.

The congress has been bogged down with procedural wrangling which, though highly technical, has considerable implications for the power struggle between the moderate line as represented by Mr Kania and the conservatives who want to slow the country's reform. The snail-like pace of deliberations may well mean that the congress is still meeting when Lot strikes next week.

Kania: The blacksmith caught between hammer and anvil

BY ROGER BOYES

Mr Stanislaw Kania, Poland's party leader, has suddenly come under siege.

Since taking over power last September, Mr Kania has followed a pragmatic path through the twists and turns of Poland's reform movement, acknowledging the need for change but constantly defending the party's dominant role in shaping the country's future. This has earned him the description of moderate-centrist, though over the past month—since Moscow sent a warning letter to the Polish leadership—his tone has become harsher, warning against the influence of political radicals in the Solidarity independent union movement.

Now, because of the unique character of the emergency party congress, Mr Kania's position is beginning to look shaky. He is still the favourite candidate for first secretary in the secret election that will possibly be held today. But the sheer stubbornness of the delegates and the clever exploitation of procedures by hard-liners have taken away the certainty that usually attends such congresses.

Until the central committee is elected, it is impossible to forecast who will be the challengers. The names most frequently mentioned from among the hardliners are two Politburo members, Mr Stefan Olszowski, a former Foreign Minister, who favours economic but not political reform, and Mr Tadeusz Grabski. Among the more committed reformers is Mr Miezyslaw Rakowski, a former journalist. Nobody will declare his hand until the newly elected central committee meets in plenary session for the first time.

Why has Mr Kania lost so much ground in so short a time? First, secret election of the delegates—for the first time in post-war East European politics—has meant that they cannot be relied upon to toe any particular party line. They are as determined to show their independence as to purify the party by chewing over the past mistakes and apportioning blame.

Mr Kania was head of the party's administrative section during the worker's uprising in the Baltic Ports in December 1970. He may, therefore, share some of the collective blame for deciding to fire on the Gdansk workers. He has been head of Poland's security services and seemed happy enough under Mr Edward Gierek, the disgraced party secretary of the 1970s.

Questions about he were aimed on Wednesday when delegates were given a copy of a letter allegedly written by Mr Wladyslaw Gomulka, party leader at the time of the 1970 riots. According to the latter, Mr Kania took part in the fateful Politburo meeting of December 15 which decided to fire on the strikers and afterwards defended the decision on the grounds that the lives of party workers inside the besieged Gdansk party headquarters were at stake.

Significantly a report on the errors of the 1970's has been compiled by Mr Grabski, an arch-rival of Mr Kania.

The second blow to Mr Kania this week has been procedural. Mr Kania had hoped to be voted in directly by the delegates at the outset of the congress and thus steer the subsequent proceedings. In fact, a more complex and lengthy procedure has been chosen and the delegates have been asserting themselves in remarkable fashion. They have persistently demanded more time for discussion. They have rejected the traditional congress technique of applauding everything the ruling Politburo serves up.

Mr Kania still has a reasonable chance of re-election. Whatever his past, he is now firmly identified with reform. To reject Mr Kania for Mr Olszowski would be to reject the political reform movement as a whole, and it is not at all clear this is what the delegates really want.

On Mr Kania's other flank is Mr Rakowski whose speech was loudly applauded by delegates on Wednesday night. It was a speech that, in contrast to Mr Kania's address, gave a firm message. The party must lead and must ensure that it is a source of innovation, he said.

This will enhance Mr Rakowski's standing, but it does not necessarily make him a strong candidate for first secretary. The delegates may well feel he is too intellectual in contrast to Mr Kania, a blacksmith. Mr Kania's blandness of feature — he looks as if he is wearing a stocking mask — and of speech may well be the more re-assuring option for the delegates.

Congress scrutinises committee candidates

By Christopher Bobinski in Warsaw

THE POLITICAL views, personal character and past record of the 278 candidates for the 200 posts on the new Central Committee of the Polish Communist Party came under close scrutiny yesterday as delegates questioned candidates in closed session at the party congress.

All members of the present leadership were on the list of candidates for election to the committee which is the party's main policy-making body.

Both the new party leader and the new Politburo will be elected subsequently from among its ranks.

For the first time in such elections there were more candidates than posts and delegates were empowered to delete names if they decided they had been guilty of corruption or other malpractice in the past.

Mr Stanislaw Kania, the present party leader reaffirmed his determination that force must not be used to resolve social and political problems. He had formed this conviction, he said, after the events of 1970 when the authorities had given the order to shoot at demonstrating workers.

Mr Kania was then an official in the central committee, and had to answer questions about his role. Mr Stefan Olszowski a hard-liner, delivered a short speech which was well received by delegates.

He told them the authorities must be strong, ready to take both popular and unpopular decisions and tell the population the truth about the country.

The Government must be strong but must abide by the law and not take arbitrary decisions he said.

The position of Mr Mieczyslaw Jagielski, the Deputy Prime Minister in charge of the economy, and a member of the party leadership, suffered the most at the session. He is the only senior Government official still in power to have been named as responsible for economic mistakes in the report prepared by the commission chaired by Mr Tadeusz Grabski, which was set up to inquire into the responsibility for the errors of the last ten years.

The fact that no sanctions had been proposed against Mr Jagielski was one of the reasons why the delegates on Wednesday rejected the conclusions of the Grabski report as not going far enough.

Only Mr Mieczslaw Rakowski, a liberal who made an outspoken policy speech on Wednesday, and Mr Stefan Olszowski have emerged as personalities at the congress. They should come high up in the vote for the central committee.

Another squeeze on Irish public spending likely

BY STEWART DALBY IN DUBLIN

THE IRISH Government is expected to announce a fresh squeeze on public sector spending next week in order to tackle the worsening state of the country's finances.

Dr Garret FitzGerald's new Government has met in Cabinet a number of times to discuss the possibility of a mini-budget and the announcement could come when the Dail (Parliament) reassembles briefly before the summer recess.

The moves on public spending come against a background of the latest gloomy report from the Irish Department of Finance which estimates that the public sector borrowing requirement will be more than IrE1.5bn (£1.2bn) or 18 per cent of gross national product.

The report also estimates that the balance of payments current account could show a similar deficit this year — the highest figure yet placed on the deficit by any forecasters. The figure compares with a current account deficit of only IrE156m (£126m) three years ago which was amply covered by capital inflows.

If that level of deficit were maintained it would inevitably lead to pressure on the Irish punt within the European monetary system. It would also force the government to borrow heavily abroad and the total external debt of IrE3bn (£2.4bn) is already considered high.

Observers feel that Dr FitzGerald's mini-budget will include a public sector wage freeze. The public sector workforce accounts for a quarter of non-agricultural employees.

They received average wage increases of around 35 per cent last year and, unless the Government introduces a wage freeze, they should receive special increases this year amounting to 25 per cent.

As well as freezing wage increases, Dr FitzGerald may also increase personal tax despite an election pledge that he would cut it and shift the burden on to indirect taxation.

France tightens up plans for wealth tax

BY DAVID HOUSEGO IN PARIS

THE French Government intends to introduce legislation on wealth tax this autumn, M Laurent Fabius, Minister of the Budget, confirmed last night during the National Assembly debate on the Government's supplementary budget.

The new tax measures, the details of which have already been announced, will raise FFr 7.7bn (£712m) to cover social welfare and employment programmes announced in June.

But there will still be an outstanding budget deficit for 1981 of FFr 51.3bn (£4.7bn), an increase of FFr 22bn on what the previous administration had planned. The present Government maintains there are serious omissions in the previous calculations.

The revised deficit is equivalent to 2 per cent of France's GNP which is modest by comparison with France's neighbours but high by French standards. It runs against the trend since 1976 of restraining the size of the deficit.

The wealth tax had been widely anticipated but is a sore point among the rich and those family businesses which have financed investment out of personal resources.

To close a potential loophole in paying the tax, the Government yesterday abolished tax advantages on family gifts. A sharp increase in gifts has been reported of late within families to avoid the wealth tax.

The Paris association of small industries has criticised the move, claiming that 10 per cent of bankruptcies were due to the impact of death duties on family enterprises. The Government has said, however, that it does not want to affect capital used for productive investment.

The new tax measures include an exceptional additional levy on the 108,000 people who pay FFr 100,000 income tax in 1981, a windfall tax on banks and oil companies, an increase in value added tax on luxury hotels, and additional levies on business expenses.

Commission expands its regional policy guidelines

BY LARRY KLINGER IN BRUSSELS

THE European Commission yesterday expanded its recent guidelines on future EEC regional policy, again emphasising that "absolute priority" must be given to tackling unemployment.

In memorandum to the EEC member-states—supported by a regional study* showing a widespread decline of public confidence in progress and expansion—the Commission calls for the promotion of labour-intensive industries and for improvement in the weaker regions.

The areas to be given top priority include Ireland, Northern Ireland, the south of Italy and large sections of Greece. Improved living standards, the Commission says, will be achieved by strengthening economic potential, not simply by transferring financial resources.

Expanding on the lines set out at the end of May in the Commission's proposals for the restructuring of the EEC budget away from agricultural spending, the memorandum says that European Community aid should increasingly be geared to match national efforts, rather than replace them, in order to make a greater impact.

In its report, the Commission concludes that Europeans generally feel that their regions are relatively badly off in economic prospects, especially in possibilities for young people. This, the report says, is especially true of Britain.

The British also showed the greatest "propensity to migrate" if assured that life was better elsewhere.

Of the Britons interviewed, 40 per cent said they would be prepared to move to another region in their country, 24 per cent to another EEC country and 29 per cent to somewhere outside Europe.

About 30 per cent of the people interviewed throughout the EEC felt that their region needed outside aid, and over half the principle of assisting less favoured regions was well supported.

"However," the report says, "solidarity stops at the national frontier." Only a minority in every country was prepared to contribute through taxes to development in other countries, with the response in Britain being to only 17 per cent.

* Europeans and Their Regions, Public Perception of the Socio-Economic Disparities: an Exploratory Study. December 1980. Commission of European Communities, 200 de la Loi, B-1049, Brussels.

Swiss trade gap closes

BY JOHN WICKS IN ZURICH

THE SWISS trade deficit fell to SwFr 3.89bn (£1bn) in the first half of this year—27 per cent less than in the same period of 1980. Exports rose in value by some 7.1 per cent over the year, compared with a rise in imports of only some 0.9 per cent.

The apparent expansion in trading volume was due solely to higher selling prices. In real terms, exports actually declined at a rate of 0.7 per cent and imports by 5.3 per cent.

Swiss unemployment last month dropped to its lowest level since March 1975, with only 4,470 people registered as jobless. This is equal to about 0.1 per cent of the national work force.

Norway states position on N-free zone

By Jonathan Carr in Bonn

NORWAY HAS made clear it favours formal creation of a nuclear weapons-free zone in Scandinavia only in the context of broader East-West arms limitation, not as a move by Nordic countries to go it alone.

Mrs. Gro Harlem Brundtland, the Prime Minister, speaking at a news conference in Bonn, also stressed that this regional issue should not delay a start "by November at latest" to U.S.-Soviet negotiations on medium-range nuclear missiles.

She said she was seeking to correct "a great deal of misunderstanding" about a Nordic nuclear-free zone.

Herr Willy Brandt, the West German Social Democrat Party leader, returned from talks in Moscow early this month saying he "had the impression" from President Leonid Brezhnev that parts of the Soviet Union could be included in a nuclear-free zone covering the Nordic countries.

Yugoslav trade deficit poses wider problems

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

YUGOSLAVIA'S uphill struggle to reduce its chronic trade deficit suffered a setback over the first half of this year, according to official figures which show an 8 per centr ise in the deficit to $3.5bn. The value of exports rose 19 per cent to $4.9bn while imports rose 15 per cent from a higher base to $8.4bn.

The deteriorating foreign trade position takes place against the background of more than 50 per cent domestic inflation rate and despite a compensating 67 per cent effective devaluation of the dinar over the past 17 months.

It places a major question mark over this year's balance of payments targets. Last year the Yugoslav trade deficit was reduced from $7.2bn to $6.08bn thanks to a big export drive which led to an 11 per cent rise in export volume and a fall in imports. This contribution to a sharp drop in the payments deficit to $2.3bn from $3.7bn in 1979.

MARSHAL Nikolai Orgarkov, the Soviet armed forces' Chief of Staff, warned yesterday that the Soviet Union was paying "special attention" to its strategic nuclear forces in the light of U.S. attempts to gain military superiority.

In an article for the theoretical journal, Kommunist, Marshal Orgarkov accused the U.S. leadership of trying to "pave the way for an unchecked arms race."

He said it was futile to assume that the U.S. could gain a military lead over the Soviet Union because the Soviet armed forces were being developed systematically to counter aggression.

Special attention was being given to the weapons which ensured the might of the army and navy. The first component of this might in modern conditions was the "strategic force."

Marshal Orgarkov's article was a departure from the tone of Soviet political comment which stresses the Soviet Union's peaceful intentions. It may reflect the beginning of atempts to increase psychological pressure on the West.

The Government hoped to repeat this performance this year and aimed at further reduction in hte overall payments deficit to $1.8bn.

Failure to meet this target, which now looks likely, could increase the national bank's difficulties in its efforts to repeat last year's $2bn borrowing programme. Commercial banks report growing reluctance to add to their Yugoslav lending, even at higher spreads, in view of the size of the $17bn outstanding debt and doubts about the ability of the Yugoslav authorities to create more stable economic conditions and increased efficiency.

Bankers are particularly concerned at Yugoslavia's inability to boost exports to Western markets which actually dropped by 9 per cent in value and by nearly 30 per cent in volume over the first half.

At the same time, the value of two-way trade with the Comecon countries increased by 55 per cent over the first five months of this year. Soviet willingness to increase oil shipments to 6m tons and match higher exports by higher imports from Yugoslavia has been a significant factor in shifting Yugoslav trade towards Comecon markets.

Mr Zvone Dragan, a Deputy Prime Minister, warned last month of the "negative consequences" which such a trend could have on Yugoslavia's hitherto non-aligned position. As if to underline his warning, Belgrade has played host to two leading Soviet military figures in the past two weeks. Admiral Sergei Gorshkov, architect of post-war Soviet naval expansion, visited Belgrade at the end of June and was followed last week by General Aleksei Yepishev, head of the main political directorate of the Soviet Army and Navy.

The Yugoslav navy has just purchased a Soviet destroyer to replace one of its ageing British built models and the armed forces are believed to be discussing further purchases of Soviet weapons. It is not known whether the talks also covered the long-standing Soviet request for naval base facilities in Yugoslavia, in addition to its present limited repair agreement.

While Moscow is not believed to be pressing Yugoslavia there is concern in Belgrade that the Soviet Union's long standing desire to strengthen its position in the Balkans has been increased by what it perceives as a reduction of its effectiveness on the central European front because of the crisis in Poland.

Portugal and Spain plan nuclear link

By Tom Burns in Madrid

SPAIN AND Portugal are studying a wide-ranging agreement covering industry, energy and technology which will allow Portugal to become an active partner in Spanish nuclear power projects sited near their common border.

Close co-operation was proposed in Lisbon on Monday when SrIgnacio Bayon Spain's industry and Energy Minister met Portuguese leaders to exchange instruments of an agreement dealing with industrial safety procedures along the border.

Officials in Madrid said yesterday that both sides had expressed interest in a 30 per cent Portuguese stake in a Spanish nuclear plant named Sayago, expected to gain construction permission on a site 15 miles from the Portuguese frontier before the end of this year.

Portugal could also participate in two plants, Valdecabaleros I and II, at present being built 150 miles from the border town of Badajoz and due to be commercially operating between 1985 and 1987.

The proposed agreement would include the training by Spain of Portuguese technicians and the use of Portuguese uranium.

Teams of experts from both countries will meet during the summer, and it was hoped that a second visit to Lisbon by Sr Bayon would set out the framework for future co-operation.

State subsidies will reduce jobs, says Swedish study

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

GOVERNMENT SUBSIDIES to lame-duck Swedish industries have stimulated demand and reduced unemployment in the short term. But they have also pushed up wage levels, curbed expansion in companies which received no subsidies and will reduce employment in the long term.

These are the conclusions of an analysis of the Swedish Governments' massive funding of the shipbuilding, steel, forest and textile industries during the 1970s. It has been carried out by the Industrial Economic Research Institute on behalf of a Government commission appraising recent industrial policy.

During the past decade, more than SKr 75bn (£7.6bn) in public funds has been pumped into industry, turning it into one of the world's most highly subsidised.

The Institute has used simulation models to project over the 18 years from 1976 the effect of the selective job subsidisation actually pursued and the probable effects of alternative policies, such as export subsidies, reductions in employers' payroll charges and no action at all.

All the alternatives would produce lower unemployment over the period, says the institute.

Just over 2 per cent of the labour force is jobless, although if all those retraining or doing emergency work were added, the percentage would more than double. However, the institute's models indicate that, if Sweden had accepted an unemployment rate 1-2 per cent higher and a 4-5 per cent lower industrial output for four-five years, it could have achieved lower unemployment and a 5-7 per cent higher production during the whole of the ensuing 10 years.

It is impossible to keep unemployment low and, at the same time, to restructure industry in order to make it more competitive, says the institute. It is high time to switch from the current selective industrial support policy to more general measures, it adds.

● Swedish consumer prices rose by 6.9 per cent in the first half of this year, according to the state Price and Cartel Board. An agreement on milk prices is expected to force prices by at least 1 per cent this month.

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Israel promises 'drastic' action against guerrillas

BY DAVID LENNON IN TEL AVIV AND IHSAN HIJAZI IN BEIRUT

ISRAELI aircraft attacked Palestinian targets in Lebanon again yesterday as Jerusalem warned that it would take "drastic" action against the guerrillas in Lebanon whose massive rocket attacks on Wednesday evening left three Israelis dead and dozens injured.

An extra dimension to the tense situation was given by a high-level warning from Mr Mordechai Zipori, Israel's Deputy Minister of Defence, that his country held Syria "directly responsible for what is happening in Lebanon."

The Israeli Government is still insisting on the removal of the Syrian anti-aircraft missiles in the Bekaa Valley of the Lebanon which were installed there at the end of April.

Ein el Hilweh refugee camp, the town of Damour only 12 miles south of Beirut and four villages near Nabatiyeh were bombed by Israeli aircraft in what was regarded in Lebanon as only a foretaste of the Israeli retaliation to come. Earlier Israeli heavy artillery had maintained a heavy barrage against targets in southern Lebanon.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, said: "We have a hot and explosive summer ahead." He warned of extensive land, naval and air operations.

"This is a blow to all America's friends," Mr Arafat told a conference of Arab journalists in Beirut.

All the indications are that the prolonged war between Israel and the Palestinians in Lebanon will escalate as the Israelis living on the northern border demand that their Government takes additional steps to protect them.

In Jerusalem, Mr Menahem Begin, the Israeli Prime Minister, cancelled planned meetings to discuss the creation of a new coalition government so he could hold urgent consultations with his Cabinet and army commanders about the deteriorating situation on the Lebanese border.

The general feeling in Israel yesterday was that it must take fierce retaliatory action against the guerrillas in Lebanon following the Wednesday evening attack. A senior official described it as "one of the largest attacks ever by Palestinian terrorists against Israeli civilian targets."

Mr Zipori said after consultations with Mr Begin in the morning that "Israel will intensify the war against the terrorists and will make it more drastic."

The Deputy Minister admitted that the massive Palestinian rocket attack all along the northern border had probably been prompted by the guerrillas' frustration, following the past week's series of air strikes against their bases in Lebanon.

United Nations officials in South Lebanon said that 250 to 300 Soviet-made Katyusha rockets had been fired into northern Israel and the south Lebanese border area controlled by the Israeli backed rebel Lebanese Major Saad Haddad, on Wednesday evening.

According to Lebanese police sources, five Lebanese civilians died and 30 were injured when Israeli gunners, using long-range 175mm guns, pounded the port of Sidon and four other towns—Nabatiyeh, Hasbaya, Shmur and Yuhmur—early yesterday.

PLO official criticises EEC's Mideast initiative

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

A SENIOR official of the Palestine Liberation Organisation yesterday criticised EEC members for "the slow pace" of the European initiative for peace in the Middle East.

Mr Khalid Al-Hassan, head of the Foreign Relations Committee of the Palestine National Council, the PLO's parliament, warned in London that the West could not continue to rely on "moderate" Arab countries for ever, "and on the excuse of forthcoming elections and summits."

He emphasised the fragile nature of the situation in the Middle East. He also said it would be "very odd, very harmful" if Lord Carrington, the British Foreign Secretary, did not meet the PLO during his six months as president of the EEC foreign affairs council, and follow the precedent of M Gustav Thorn, his predecessor, who met the PLO leader, Mr Yassir Arafat.

Mr Al-Hassan, a member of the central committee of Al-Fatah (the PLO's mainstream group) was speaking at a lunch organised by the Diplomatic and Commonwealth Writers' Association.

The PLO, he said had emphasised five requirements to be observed in preparing the European initiative. There were:

● That there should be a single framework for a comprehensive settlement;

● That the solution be based on United Nations resolutions;

● That Israel withdraw from occupied territories and hand these over to UN trusteeship to prepare for self-determination by the inhabitants;

● That an international conference be held under UN auspices;

● That a solution should be based on secular principles.

He stressed the compromise the PLO had made by accepting that there should be "two states within one country," a Palestinian one, and a Jewish one.

Arson attacks suspected on black union offices

BY STEVEN FRIEDMAN IN JOHANNESBURG

THE TRANSVAAL provincial headquarters of one of South Africa's largest black union federations, the Federation of South African Trade Unions (Fosatu), at Benoni, near Johannesburg, were badly damaged by fire yesterday and police say they suspect arson.

Offices belonging to the Progressive Federal Party, the official Opposition, situated on the same floor were also slightly damaged in the blaze. Several PFP offices were bombed in a simultaneous attack over a month ago.

The suspected arson attack comes at a time when the area east of Johannesburg has become an important centre of black union activity and the scene of several strikes.

Fosatu unions have been among the most prominent in the growth of black worker action in South Africa and it operates in all major industrial centres.

Southern African heads set for Salisbury summit

BY OUR FOREIGN STAFF

HEADS OF STATE of nine southern African states meet in Salisbury, the capital of Zimbabwe, on Monday to establish a permanent secretariat for the Southern African Development Co-ordination Conference (SADCC).

The organisation was set up in 1979 to promote regional cooperation among the nine and reduce their economic and transport dependence on white-ruled South Africa.

The summit—the second since the organisation was launched—will review progress on the major regional projects proposed between the member states of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

Twenty-two transport and communications schemes, out of 97 planned, are now under way.

Warning on Opec's financial surplus

By Richard Johns, Middle East Editor

THE Organisation of Petroleum Exporting Countries' financial surplus on current account for 1981 has been estimated at $68bn by the First National Bank of Chicago.

Its revised forecast, that takes into account sagging demand on the oil market, compares with one of $86bn made by the bank in February this year and the higher projection of $110bn published by the Morgan Guaranty Trust Company in January.

In a mid-year study Mr Alan Stoga of First Chicago predicts: "If the current weakness in the oil market is sustained, the decline in the surplus next year would be even more pronounced, and by the second half of 1982 Opec would be approaching rough current account balance."

OPEC
Current Account Balances
($bn estimated)

	1980	1981
Saudi Arabia	43.7	46.0
Kuwait	15.4	15.1
UAE	7.2	5.0
Iraq	9.1	−6.6
Iran	−3.9	−0.9
Libya	12.0	9.5
Qatar	3.8	4.4
Algeria	0.7	−0.1
Other Opec	7.7	−4.8
Total	95.7	67.6

According to the First Chicago calculations, Saudi Arabia can expect to accumulate some $46bn in foreign assets this year, compared with an estimated $43.7bn for 1980.

The rest of the collective net surplus, which makes a deduction for the anticipated deficits of half the membership, would be accounted for by Kuwait, $15.1bn; Libya, $9.5bn; the United Arab Emirates, $5bn; and Qatar, $4.4bn.

The study forecasts Saudi Arabia's net foreign assets as rising to $167bn, compared with an estimated $121bn at the end of 1980 and Kuwait's to $75bn compared with $60bn. Their investment income in 1981 is reckoned to be $14bn and $6.6bn respectively.

First Chicago predicts that Iraq because of the cost of the war with Iran and the drop in its oil exports will record a deficit of $6.6bn. Mr Stoga points out that "Baghdad has apparently accelerated investment spending and increased the availability of imported consumer goods to minimise the disruptive effects of the conflict."

Mr Stoga suggests that Iraq will nevertheless be unable to accommodate the deficit. He reckons that it had accumulated foreign assets of some $35bn by the end of last year.

"In the short run however Iraq has apparently experienced some liquidity problems leading to recent arrangements to borrow from Kuwait, Saudi Arabia and other oil producers," he said.

● Saudi Arabia stood by its insistence on Opec unifying oil prices before cutting its own production at a meeting of Arab Oil Ministers in Taif, the Associated Press reported yesterday.

Iran plans for £9.9bn oil sales

By Terry Povey in Tehran

IRAN'S PARLIAMENT has voted to accept an essentially conservative budget proposed by a parliamentary commission, and rejected the one put forward by the Government, it was reported yesterday.

The accepted budget totals $37bn (£19.8bn) and involves a 36 per cent cut in defence spending proposals and a 23 per cent cut in development credit.

Projected revenue is based around an annual income from oil sales of $18.7bn (£9.9bn). A deficit of Riyals 700bn (£4.5bn) is built into this budget.

Dr Hussein Namazi, the Economics and Finance Minister, yesterday denied that the parliamentary decision represented a defeat for the Government. "There is no war or conflict between the Goverment and the Parliament," he said.

Concern is growing in Tehran, however, that even the $18.7bn estimated oil revenues for the current year (March 21 1981 to March 20 1981) may prove to be optimistic.

Current crude lifting are being put as low as 800,000 b/d by some experts and pressure is increasing on Iran to reduce prices.

Iran at present charges $37 a barrel for its light crude and many of its customers pay a $1.80 premium on top of this.

The existing high stocks, plus cuts in prices by other Gulf producers, are making some officials think that a reduction to $34 may be necessary to maintain competitiveness.

France may replace bombed Iraqi N-plant

BY TERRY DODSWORTH IN PARIS

FRANCE INDICATED yesterday that it would be prepared to replace the Iraqi nuclear research reactor destroyed by Israel last month, if stronger assurances were given against possible misuse for military purposes.

According to officials, no request for a replacement has been received from Iraq, which has both affirmed and denied recently that it wanted to make a nuclear bomb. But Mr Tariq Aziz, Iraq's deputy Prime Minister, is expected to visit Paris shortly to discuss a new contract on the basis of newly-agreed Saudi Arabian finance.

The French officials were responding to an announcement on Wednesday by the Saudi Information Minister that Saudi Arabia had offered to pay the full cost of replacing the reactor at Tamuz.

Revival of the nuclear agreement between France and Iraq may well have been discussed at the recent Paris meeting between French President Francois Mitterrand and King Khaled of Saudi Arabia. According to the Saudis, President Mitterrand was told that the kingdom was prepared to finance the plant's reconstruction.

France will be placed in a delicate position by a renewed Iraqi request for technical nuclear assistance. The country is a big client for Iraqi oil, and has recently expanded its exports in Iraq. But the new Socialist administration has been notably warmer to Israel.

French officials pointed yesterday to a recent statement by M Claude Cheysson, External Relations Minister, who stressed that strong safeguards against misuse would have to be built into any new contract with Iraq.

Earlier this week, the International Atomic Energy Agency revealed that it had been planning more stringent inspections at the Tamuz reactor to ensure that nuclear explosives were not being made there.

Saudi Arabian finance offer reinforces alliance

Chance for Baghdad to strengthen its role

BY PATRICK COCKBURN IN BAGHDAD AND ROGER MATTHEWS IN LONDON

SAUDI ARABIA'S offer to finance the rebuilding of Iraq's nuclear reactor which was destroyed by Israeli bombers on June 7 is of more than symbolic importance for the Baghdad Government. It provides Iraq with the opportunity to reinforce its central role in the Middle East through a demonstration of pan-Arab solidarity.

The amount of money involved, given the current rate of Iraqi military and development spending, is not very important. But the Saudi aid reinforces the alliance between Baghdad and Riyadh which has developed since the Camp David accords between Egypt, Israel and the U.S.

Earlier this week Iraqi President Saddam Hussein portrayed the raid as "a threat not only to the security and basic interests of Iraq but also to the whole Arab world."

He emphasised that the reactor had been built for peaceful purposes and implicitly denied reports that Iraq was now going to proceed to build a nuclear bomb.

The support of Saudi Arabia is also crucial for Iraq's wider role in the Arab world. Up to the middle of the 1970s the Saudis feared the expansion of their northern neighbour with its revolutionary regime allied to the Soviet Union.

But the peace agreement between Egypt and Israel and Arab solidarity against the threat from Ayatollah Khomeini's Iran has largely quelled such misgivings. Since the beginning of the war with Iran, Saudi Arabia has given loans, the precise amount of which is unclear, and has supplied Iraq's oil customers with crude. It is denied by diplomats, however, that Saudi Arabia also agreed to pay the revenue from this "war replacement crude" to Baghdad.

The destruction of the reactor, while a blow to the Iraqi Government's prestige, has not had much impact on popular feeling. The continuing war with Iran tends to absorb attention.

For Saudi Arabia its decision to finance the rebuilding of the reactor appears primarily to be an effort to head off mounting Arab resentment at its diplomatic and oil policies.

The Israeli attack emphasised the Arab world's military impotence. It also revealed the inability of the Arabs to mount any retaliatory action so long as Saudi Arabia refused to countenance the use of oil as a weapon.

Although there has been little overt criticism of Saudi Arabia, there is no doubt that the more radical states increasingly resent the kingdom's close ties with Washington when the Reagan administration has declined to take any effective action against Israel.

This resentment has been further fuelled by Saudi Arabia's apparent determination to maintain its current oil production levels in order to force a reunification of Opec prices. This is both blunting the political leverage of other oil producers and costing them heavily in terms of lost revenues.

The Saudis have traditionally used their massive oil revenues as their main source of diplomatic power and must hope that this latest gesture will serve to head off criticism from more radical Arab states.

Floods in China threaten giant hydro-electric plant

BY TONY WALKER IN PEKING

CHINA'S south-west is suffering its worst floods in more than a quarter of a century.

Several million people and a giant hydro-electric project on the Yangtze river are threatened.

According to the New China News Agency 25 counties and cities in Sichuan province have been hit by floods after a week of torrential rain.

"The number of casualties is as yet unknown," the provincial flood control headquarters said yesterday. "Road and railway transport has been cut off."

The Yangtze, China's main waterway, has burst its banks on previous occasions killing millions.

Chinese authorities expected floodwaters from the river's tributaries to form the greatest flood peak since 1949.

The threatened Gezhouba dam, which started operating this year, is apparently causing concern. It is a massive scheme, costing several billion dollars, to tame the Yangtze after it rushes through the three gorges on the border of Sichuan and Hubei provinces.

It is planned that two huge power plants at Gezhouba will have a 2,715 MW capacity. The dam may be the forerunner to the much more ambitious damming of the Yangtze in the three gorges.

According to the news agency the Hubei province committee of the Chinese Communist Party held an emergency meeting yesterday. A command headquarters was appointed for flood control work, "to protect the Jianghan plain, a major grain producing area."

Reagan sets guidelines for N-technology exports

BY DAVID BUCHAN IN WASHINGTON

THE U.S. remains committed to stopping the world-wide spread of nuclear weapons, but henceforth it will be a more reliable supplier of nuclear technology for peaceful purposes, particularly to regions with a low proliferation risk, like Western Europe and Japan, President Reagan said yesterday.

Mr Reagan's goals were set out in his Administration's first policy statement on non-proliferation. It departs from past policy under President Carter by moderating, but not totally dropping, U.S. opposition to the transfer of nuclear reprocessing and breeder reactor technology and by stating that the U.S. is ready to remove the security worries of some countries approaching nuclear capability by other means, including selling them conventional weapons.

The Reagan guidelines come shortly before the opening of the Ottawa summit of western leaders next week and are clearly designed to establish U.S. bona fides on non-proliferation to the nation's western partners who had major differences with the Carter Administration over nuclear policy.

An element of the Reagan policy calls for tighter controls negotiated between the U.S. and other nuclear-supplier countries, but it is not clear whether or how forcefully Mr Reagan may raise this in Ottawa.

Officials said the new policy statement had been in preparation for several months and was not occasioned by Israels raid on Iraq's reactor last month. But the urgency of stemming the nuclear weapons tide "has been highlighted by the ominous events in the Middle East," Mr Reagan said yesterday.

REACTOR EXPORTS	U.S.	Foreign
1970	2	0
1971	10	1
1972	7	0
1973	5	4
1974	8	8
1975	7	3
1976	1	2
1977	0	5
1978	2	2
1979	2	3
1980	0	3

Source: General Accounting Office

White House aides sought to convey the impression that Mr Reagan is deadly serious about non-proliferation. They made a special point of discounting a remark that Mr Reagan made on the campaign trail last year and which has been repeated in the Press ever since. This was to the effect that other country's nuclear programmes "are none of our business."

The seven-point guidelines affirm U.S. commitment to strengthening the nuclear safeguard system operated by the International Atomic Energy Agency. Mr Reagan himself was one of those who cast doubts on the agency's existing system, in the wake of the raid on the Iraqi reactor which was under the Vienna agency's safeguards.

But it has since transpired that the agency was as concerned as the U.S. about Iraq's nuclear programme and Administration officials said yesterday that they supported efforts to give the agency more inspectors and more equipment to keep a closer eye on reactors.

A key point in the new U.S. policy is contained in the carefully worded commitment that Washington "will not inhibit or set back civil reprocessing and breeder reactor development abroad in nations with advanced nuclear power programmes where it does not constitute a proliferation risk."

President Carter's policy—enshrined by Congress in the 1978 nuclear non-proliferation Act—led to delays and arguments with European allies and Japan over the reprocessing of fuel either supplied from the U.S. or used in U.S.-built reactors. The 1978 la wgave the U.S. a unilateral prior consent over the reprocessing of such fuel.

In particular, this inhibited the reprocessing by France and Britain of Japanese fuel. The Reagan conclusion is that none of these countries are a proliferation risk since they either have weapons already or have signed the Non-Proliferation Treaty.

However, aspects of the Reagan policy may run into trouble in Congress which passed the 1978 Act almost unanimously. The Administration is negotiating this week in Washington to sell sophisticated arms to Pakistan, which has not signed the treaty and has a highly suspect nuclear programme. Several Senators have objected to this.

The Administration has not decided whether it wants to propose amendments to the 1978 Act. But it plans to use its own executive powers and influence to press the Nuclear Regulatory Commission to speed up export licences for fuel and reactors.

"This policy is not designed to enhance trade," one official said yesterday. But the U.S. nuclear industry has welcomed it.

Exports fall for top Japan car makers

TOKYO—Japan's two largest car makers yesterday reported declines in their June exports following restraint agreements with the U.S., Canada and several West European countries.

Toyota, Japan's leading car company, said it exported 137,456 vehicles in June, down 13.8 per cent from a year earlier and down 12.3 per cent from May's shipments.

Nissan (Datsun) said it exported 122,858 vehicles in June, a drop of 4 per cent from a year earlier and 6 per cent from the previous month.

Both companies attributed the fall in June exports to Japan's recent decisions to restrain car exports to North America, West Germany, Belgium and the Netherlands.

Shipments by Toyota to the U.S. fell 15.5 per cent to 53,025 from a year before while Nissan's exports declined by 12.9 per cent to 50,105 over the same period.

Toyota's exports to the EEC fell by 25.6 per cent to 15,899 from a year earlier, but Nissan's shipments rose 11.2 per cent to 24,600.

Shipments to Britain by Toyota fell 30.1 per cent to 2,661 in June from a year earlier while those by Nissan were down 15.6 per cent at 10,939 units.

Last week British and Japanese car manufacturers agreed to continue their gentlemen's agreement to keep Japanese car sales in Britain below 11 per cent of the market.

Toyota said its shipments to West Germany in June were down 7.2 per cent from June 1980 to 4,724 units but Nissan's jumped by 99.4 per cent to 7,609.

Toyota said total vehicle exports in the first half this year rose 0.2 per cent to 911,691 units from the same 1980 period but car exports fell 3.9 per cent to 572,188.

Its total vehicle production fell 2.4 per cent to 1.68m in first half 1981, against the same 1980 period, reflecting a slowdown in sales at home and abroad, it said.

Nissan said total first half exports rose 0.6 per cent to 754,060 from a year earlier but car exports fell 3.9 per cent to 524,115.

Its total production fell 2.2 per cent to 1.27m in the first half, compared with the corresponding previous year period.

● The world auto market will start picking up in the short-term and accelerate further in the future, said Mr Roger Smith, the chairman of General Motors, during a visit to Japan.

Reuter

CFP AGREES TO RESUME SHIPMENTS

France, Mexico end oil price row

BY TERRY DODSWORTH IN PARIS

FRANCE and Mexico resolved their row over the price of Mexican oil supplies yesterday when Compagnie Française des Petroles (CFP) agreed to resume its shipments at the beginning of August.

Precise details of the agreement, which followed a day of talks in Paris, were not revealed yesterday. But a short statement from CFP made it clear that both sides had agreed to "adjustments" in the original contract.

These changes are to be worked out between CFP and Pemex, the nationalised Mexican group, to take effect from the re-opening of shipments.

They will clearly have to take into account both the CFP complaint about Pemex's $2 price increase to $32.60 a barrel, as well as the French company's claim that it was not receiving the agreed amount of light oils in its supplies.

The deal between the two oil companies opens the way towards the settlement of a second dispute over Mexico's ban on French participation in industrial development contracts. This retaliatory measure was taken after CFP's decision to activate the break clause in its contract, while freezing its supplies from Mexico.

Although France is not in a particularly strong position in the Mexican market, the ban threatened a number of sizable projects, including contracts in the steel and car industries, and for the extension of the Mexico City metro system. It could also have prejudiced its position in negotiations for the supply of nuclear power station technology.

These issues are due to be discussed in more depth today when Sig Jorge Castaneda, the Mexican Foreign Minister, meets M Claude Cheysson, the French Minister of External Relations.

M Cheysson is due to visit Mexico at the end of this month, accompanied by M Michel Jobert, the Trade Minister.

William Chislett adds from Mexico City: Mexico will export about 1m b/d of oil in August and September, some 400,000 b/d less than in the second quarter, according to a statement yesterday from Pemex.

Eximbank lifts loan moratorium

BY PAUL CHEESERIGHT IN WASHINGTON

THE EXPORT-IMPORT Bank of the U.S. yesterday lifted a five-month moratorium on lending and signified that it was back in business under new management.

The moratorium was imposed following the decision of the Reagan Administration to reduce Eximbank's authorisation to make direct export credits to $5.4bn from the $5.9bn proposed by the Carter Administration and to hold back the amount it could offer in guarantees and loan insurance to $8bn compared with the Carter proposal of $8.56bn.

The new lending policy announced by Eximbank reflects both these cutbacks and the desire to offer more extensive support to small businesses, thus counteracting the criticism that Eximbank had become the toy of a few large groups like Boeing and Westinghouse.

Mr William Draper, confirmed as Eximbank's president and chairman by the Senate last Monday, announced a more liberal approach to fixed-rate, medium-term export loans with the aim of offering more competitive financing for small transactions.

The minimum rate paid by a commercial bank to Eximbank to discount or borrow against export loans has been reduced by 2 per cent. This minimum rate, currently 14 per cent, will be equal to the Federal Reserve discount rate, and can be applied to contracts worth up to $5m.

But Eximbank's direct loans policy will be more restrictive than that of its European export credit counterparts. It will provide credit up to 65 per cent of the value of transactions "where such support is necessary." In the UK it is often possible to obtain 85 per cent financing.

Direct credit interest rates for non-aircraft business will be 10.75 per cent, compared with prevailing European rates, in line with the internationally agreed guidelines, usually in the region of 8.75 per cent.

In addition Eximbank plans to charge a one-off 2 per cent fee for each credit authorisation.

In an effort to minimise the increased expense of such credit, Eximbank is planning to continue its previously announced policy of extending loan maturities outside the limits of the internationally agreed guidelines.

Ghana brings in new investment code

By Mark Webster

GHANA'S parliament has voted through a new investment code in a bid to attract more foreign investment to bolster the country's battered economy.

The code sets no fixed limit for Ghanaian participation in fresh ventures but will leave it up to the individual investor to negotiate with the newly set up Investment Centre, on a majority Ghanaian shareholding.

The Investment Centre will be chaired by the Minister of Economy and Finance and will bring together most of the key ministries as well as the governor of the central bank.

The centre will be able to make all decisions regarding potential new investors, and the code gives it considerable latitude in fixing the incentives.

The code stresses the need to encourage the use of local raw materials, and export-oriented industries which are labour intensive and train Ghanaians for management positions.

The decisions to leave rulings on the level of foreign participation up to the Investment Centre should defuse criticism from the left-wing of the ruling Peoples National Party that the code was "selling the nation's birthright."

Most of the Cabinet, including President Hilla Limann, felt that Ghana would need to make generous concessions in order to attract fresh investment.

There has been no substantial new investment in Ghana for more than a decade, and the Ghanaian government had to take charge of Firestone's operations in the country last month.

The code contains guarantees that companies can bring in the expatriate expertise they need, and there is provision for the repatriation of personal income and corporate dividends, fees and royalties.

Though, given the tight position of Ghana's foreign exchange reserves, the code adds the rider that transfers will depend on the availability of foreign exchange.

The main incentives for fresh investment are exemption from company tax until the initial risk capital has been recovered, exemption from customs duties on machinery and spare parts for the first five years and guaranteed management control.

U.S. exporters may get tax boost

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration is considering a plan to boost tax relief for U.S. exporters and settle a five-year dispute over the existing U.S. export tax scheme with the General Agreement on Tariffs and Trade (Gatt), the Geneva-based body that monitors world trading practices.

U.S. trade officials have broached the plan to Gatt in Geneva this week, but the Administration will not complete or publicly unveil the plan to make U.S. export earnings taxable at zero rates, until Congress has acted on the big tax bill already before it. It does not want further to crowd this Bill which focuses on income tax and investment depreciation.

At present, the U.S. allows its multinationals to set up "Discs" (Domestic International Sales Corporations) to hold their export earnings. These earnings are basically not taxed by the U.S. unless or until repatriated, thus permitting businesses to defer their liability.

In 1976, the Gatt found that Discs counted as an export subsidy, illegal under the Gatt codes, and the U.S. and the trade orginisation have been arguing this point ever since.

The Reagan plan hopes to get around this by theoretically taxing export income, but at zero or near-zero rates. The new U.S. Administration is committed to maintaining or improving on the tax benefits U.S. exporters draw under the Disc scheme, one trade official said yesterday.

By one Treasury estimate, the new plan would give exporters tax relief of $2.8bn a year, which would count more than the Disc scheme, a deferral of eventual liability.

President Carter tried to scrap the Disc system, on the ground that it was too complex, and benefited only a few big exporting companies already established abroad. But he was thwarted by effective business pressure on Capitol Hill.

House acts on foreign takeovers

BY OUR WASHINGTON CORRESPONDENT

CONGRESS has taken a first step towards putting foreigners on the same financial footing as Americans in bidding for U.S. shares, and thus removing their advantage in acquiring U.S. companies by takeover.

A House of Representatives commerce sub-committee has approved an amendment to U.S. securities law that would subject non-U.S. individuals or companies to the rule that at least half the cost of U.S. shares must be paid for in cash. At present this applies only to Americans.

The catalyst for this action has been the recent spate of Canadian takeover bids for U.S. companies, mostly in the energy field. It is part of a wider dispute between the two countries on energy investment policy, but the particular complaint is that Canadian bidders have been able to mount their bids with proportions of bank credit not available to U.S. companies.

The subcommittee action is preliminary, but most observers believe that Congress will make foreigners subject to the "50 per cent margin rule."

"The Administration has supported the change on the ground of fairness, but has voiced some doubts as to whether the rule can be enforced on foreign companies and banks outside U.S. jurisdiction.

Another proposal more directly aimed at Canada is believed to stand less chance of passage. This would impose an nine-month ban on Canadian takeovers of U.S. energy companies, while the U.S. decided on its further course of action against what are seen as unfair border raids from the north.

Norway joint venture set up

BY FLEMING DAHL IN OSLO

THE NORWEGIAN shipping group Wilh. Wilhelmsen and Brown and Root Norway, the subsidiary of the U.S. engineering and construction company, have formed a joint operating company to tender for and undertake marine construction operations in the offshore field.

The new company, WilB4R Offshore, will be a 50-50 venture.

The owner of the Wilhelmsen group, ship owner Wilhelm Wilhelmsen, said in Oslo yesterday that the company was initially hoping for a contract to lay the planned pipeline for landing gas from the Norwegian offshore fields, Statfjord and Heimdal. The contract is estimated to be worth NKr 2bn to NKr 3bn (up to £263m).

An official for Statoil the Norwegian state oil company said that several companies had been invited to tender for the whole contract or parts of it.

He said there was a possibility that the contract would be split.

It is understood that only WilB&R Offshore, McDermott of the U.S. and Saipem of Italy, would be able to do the whole job on their own, since only those three, according to Statoil, can offer the kind of semi-submersible pipe-laying barges needed.

The pipes are to be laid between 1983 and 1984.

Mobil cuts petrol price increase

Mobil Oil, which found itself at the centre of a petrol pricing row earlier this week, has rescinded part of a 3 cents a gallon increase which it announced in response to a new set of New York state taxes on oil companies, David Lascelles writes. The taxes part of a $800m tax package voted by the state legislature last week to bail out the city's ailing bus and subway system.

Mobil's price increase provoked a bitter reaction f rom consumers and politicians alike. It also proved to be embarrassing for Mobil because it came just as news leaked out that it was putting together $5bn to join the takeover war for Conoco.

Mobil yesterday reduced its increase to 1.3 cents a gallon, saying that it had received clarification about the proposed taxes. At the same time, Exxon announced a 0.75 cents a gallon increase which other oil companies were expected to follow.

Ford and Toyota resume joint production talks

BY LACHLAN DRUMMOND IN NEW YORK

FORD MOTOR and Toyota resumed talks yesterday on joint production of cars in the U.S., amid increased speculation that no deal will eventuate.

The talks on the West Coast came more than a year after the two began negotiations, and follow a visit by a Ford staff team ot Japan in May.

Ford said yesterday that the meeting was part of a continuing series of discussions on car production, and that it still hoped to pursue a joint venture.

Wall Stret observers believe, however, that the stretching-out of the talks has left Ford less enthusiastic for a deal, because of the threat of conflicts with its own new model plans.

When the deal was first discussed, at Toyota's invitation, it was thought that a quick introduction of a Toyota-designed vehicle would help bolster Ford's ageing range of cars.

But with the dragging-on of the negotiations, it is thought Ford may well do better following its own product plans, because of the time involved in the introduction of a new model.

Toyota is seen as less keen on pursuing the matter, because of the imposition of restraints on Japanese exports of cars to the U.S.

The threat of boycotts of Toyota products by Saudi Arabia and Kuwait, as a result of any deal with Ford — Ford is on the banned list in these countries because of its trading with Israel — may act as a considerable disincentive to Toyota, which sells about 150,000 vehicles to these countries each year.

There is a feeling that Toyota may take this as a suitable reason for withdrawing from a deal, which it now sees as less desirable since the imposition of import restraints.

The talks between the two will centre on production of a smaller car, the idea of producing a mini-van having already been dropped.

If agreement is reached it could take up to 20-30 months for the car to go into production. But if the design selected is at an advanced stage and requires little additional work, the time-scale could be shrunk considerably.

BL unit wins chassis order

By Mervyn de Silva in Colombo

ASHOK LEYLAND has been awarded a contract to supply 660 bus chassis to the Sri Lanka Transport Board. The World Bank supported order is valued at Rs 176m (£5m).

Ashok Leyland which won the contract against bids by Daimler-Benz of Germany, Isuzu of Japan, Tata of India and Daz of Romania, has also set up a truck-and-bus manufacturing project with a local company, Lanka Leyland.

Taipei transit deal for UK

TAIPEI — British Mass Transit Consultants (BMTC) has been chosen to undertake detailed planning for the Taipei Mass Transit System, Taiwan's Communications Ministry said yesterday.

The planning project will take 18 months and will cost more than T$100m ($2.78m). The Ministry said work on it will start next month.

Agencies

European air fares 'too high'

BY LORNE BARLING

ABOUT 30 per cent of Midlands exporters are deterred from selling on the Continent by the high cost of air fares within Europe, according to a survey by Birmingham's Chamber of Commerce.

It said that it had written to the Secretary of State for Trade, MPs, and the air services committee, pointing out the serious effects on exports.

It added that the reduction in fares, particularly from the Midlands, would increase air traffic colume, and improve the use of marginal routes.

The chamber also announced that Sealink had agreed to remove a ban on businessmen using its five-day excursion fare.

Group motoring visits by chamber members to export markets in Europe could now be undertaken at reduced rates, it said.

● The submarine systems division of Standard Telephones and Cables (STC) has been awarded a contract worth £11m for a high-capacity submarine telecommunication system in Italy.

Running for 220 nautical miles, the cable system will connect Palermo, Sicily, with Cagliari on Sardinia. The contract for STC's NG-1 type system was awarded by Azienda di Stato per i Servici Telefonici, the Italian telephone service State office.

It is the 11th system of the NG-1 type—the world's largest capacity undersea cable system —to be sold since 1977.

The NG-1 system is capable of carrying up to 5,520 simultaneous telephone calls or two-way colour television and 1,800 telephone circuits.

Dutch plan promotion

By Michael Van Os in Amsterdam

THE DUTCH Government plans to fly 1,000 Americans, including many businessmen, to the Netherlands next year in a joint promotion effort with Dutch business.

The Economics Ministry in The Hague has said it is willing to allocate Fl 3m (£590,000) for the promotion if Dutch business manages to find the remaining Fl 3m-Fl 5m.

Canadian oil price rise urged

The Canadian Chamber of Commerce yesterday urged the Government to raise the price of oil in Canada to world levels in its pre-budget submission to Mr Allan MacEachen, Minister of Finance, Victor Mackie reports from Ottawa.

In a separate submission, The Conference Board of Canada—an independent and privately operated organisation of economic forecasters—said high interest rates were likely to continue for another 18 months. Double-digit inflation and sluggish growth would continue to plague the Canadian economy into 1982.

Fruit fly disaster

California's Governor, Mr Jerry Brown, has asked President Reagan to declare part of northern California a disaster area, saying that attacks on crops by Mediterranean fruit flies are out of control, Reuter reports from California. The flies, which turn fruit and crops into mush, are reported to be only 30 miles from the San Joaquin valley, centre of the state's fruit and vegetable industry.

Poor planning hinders Nassau's battle with recession

BY NIKKI KELLY IN NASSAU

YOUTH UNEMPLOYMENT, crime, corruption and an economy impaired by world recession continue to plague the Bahamas eight years to the month since the Caribbean group of islands ceased to be a British colony.

After 14 years in power, Mr Lynden Pindling, the Prime Minister, and his Progressive Liberal Party Government appear unable to solve these problems. Indeed, poor planning, restrictive legislation and rapid changes on the international scene have deepened and broadened their impact.

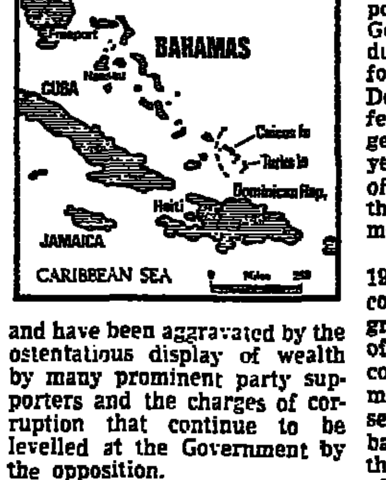
Unlike most other black nationalist movements, the party remains conservative at heart. The party's most significant achievement was its ability peacefully to shift the burden of representation from a white minority to the country's 85 per cent black majority. Its greatest failing has been an ambiguous social and economic philosophy that has opened up unlimited educational opportunities for blacks without a parallel increase in the number of available jobs.

A cornerstone of the party's thinking has been the commitment to "Bahamianising" the labour force. But while education has always been the priority, the Government now recognises that the heavy emphasis on academic learning has been largely responsible for high unemployment among young people.

While four out of five technical jobs remain unfilled, there are 50 applicants for every clerical opening. The result is 30 per cent unemployment among 16 to 25-year-olds that is certain to worsen as the population is increasing by about 3.7 per cent a year. Sixty per cent of the 250,000 population is under 25 and the proportion is climbing. The unemployment issue could be explosive.

Last year, the Government introduced a technical training programme intended to meet the needs of the construction industry. But many young people, encouraged to expect office jobs, now reject alternatives.

Their frustrations are evidenced by public demonstrations



and have been aggravated by the ostentatious display of wealth by many prominent party supporters and the charges of corruption that continue to be levelled at the Government by the opposition.

High unemployment has also led to a steep increase in crime and a growing involvement by young Bahamians in drug smuggling.

The pressure for jobs has also promoted a large migration from the outer islands to the capital, Nassau, where population density is now among the highest in the world.

The trade unions, at one time the bedrock of the Party's support, have openly criticised the Government's failure to produce constructive programmes for ending unemployment. Despite a last-minute effort at fence-mending before the 1977 general election, the past four years have seen a large number of labour disputes, nearly all of them in government departments.

A Government decision in 1969 to abrogate immigration concessions which had been granted developers of the city of Freeport shook international confidence in the Islands. This marked the beginning of a seven-year slump, much axacerbated by the world recession that followed the energy crisis of 1973-74. Hardest hit was Bahamian tourism, source of 60 per cent of the island's gross national product of $1bn.

The economy was badly in need of investment and the Prime Minister undertook a two-month promotion tour of Europe in 1978. This ushered in the greatest real estate boom in the country's history. In the space of two years, the value of construction work tripled to $136.4m a year. But then, the Government announced a land control policy that confused and worried the market.

The legislation has now been amended but still places severe restrictions on foreign ownership of Bahamian property.

These constraints on the private sector have coincided with an economic slowdown in the Western industrial countries that has seriously affected tourism. The slump that began in mid-1980 has deepened and the number of visitors stopping in Nassau has fallen by 13.7 per cent.

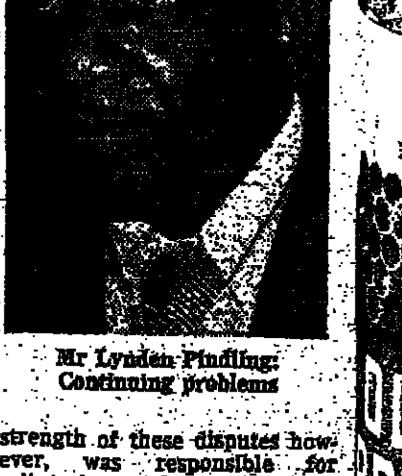
Yet the Government-owned Hotel Corporation, already in debt over its six existing properties, is building a $66.6m hotel.

The poor performance of the corporation has drawn a stream of criticism from the Parliamentary opposition, which is firmly against the Government's encroachment on the private sector. The fact that the administration intends to borrow $150m from a consortium of banks led by Bank of Nova Scotia to help the corporation cover its losses and pay for construction of the hotel has only intensified their objections.

Servicing public debt is now the largest expenditure in the $336m budget after education. The opposition parties fear that the size of the hotel loan, at current high interest rates, coupled with an outstanding national debt of over $270m, could easily plunge the country's fragile economy into serious deficit.

United in their support of the free enterprise system, the Social Democratic Party, the main opposition party, and the Free National Movement believe the Bahamas needs foreign as well as Bahamian investment if full employment is to be achieved. They contend that most of the party's problems are the result of mismanagement, corruption and a misguided nationalism.

The main difference between the two parties lie in personalities rather than issues. The



Mr Lynden Pindling: Continuing problems

strength of these disputes however, was responsible for splintering the opposition shortly before the 1977 election and continues to keep it apart.

The danger is that a young and frustrated electorate, unhappy with the Government's performance but equally put off by a squabbling opposition, will seek more radical political alternatives.

Low production and high inflation forecast to 1985

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TOTAL OUTPUT in the UK will remain below its 1979 peak level for the first half of the 1980s, according to a gloomy new assessment prepared by the Economist Intelligence Unit. The annual inflation rate is also expected to be in double figures until 1985.

The forecasts have been prepared for the St James's Group, a club of business and commercial bodies using the Economist Intelligence Unit's version of the Treasury model of the economy.

This analysis is in line with that of most other non-monetarist economists in projecting a very weak economic recovery and continuing high inflation.

The main forecast assumes continuing adherence to the monetary targets of the Government's medium-term financial strategy but a somewhat more relaxed fiscal policy.

Other approaches are examined. In particular, the unit looks at the result of a 5 per cent increase in average earnings in the 1981-82 and subsequent pay rounds, compared with a rise of 10 to 11 per cent assumed in the main projections.

The overall effects of the alternative 5 per cent assumption are highly beneficial in improving the competitive position of UK industry, in boosting Gross Domestic Product (by nearly 3 per cent in 1985 compared with the main forecast), and by cutting unemployment in 1985 by 265,000 below what it would otherwise be.

According to the economists, the results reveal an important reason why it has proved impossible so far for any British government to achieve this objective. This is because the low wage rises imply a sharp squeeze on real take-home pay below what it would otherwise have been.

The assumption of a higher real oil price is also explored. An implication is that the increase in the real (inflation adjusted) price of oil in 1979 and in 1980 has led sterling to be about 11 per cent higher than it would otherwise have been in 1980, and 7 per cent higher this year.

In detail, the unit believes that the sharp fall in output last year has come to an end, and that output will stabilise this year, largely as a result of the end of destocking. But the recovery will be weak with annual average rises in GDP of less than ½ per cent up to 1985.

Total unemployment, including school leavers, will rise to just over 3m, and will then fluctuate 100,000 either side of this level until 1985. The adult total is expected to fluctuate at just over 2¾m.

The economists are not optimistic about a single figure inflation rate being achieved in the near future, and the 12-month rate could edge up from the present 11 to 12 per cent range to 13½ per cent in early 1982 before falling slowly thereafter.

Shortage of orders for boilers costs 50 jobs

BY MAURICE SAMUELSON

DANKS of Netherton, one of the leading makers of industrial boilers and pressure vessels, is to make about a fifth of its workforce redundant because of a shortage of orders.

The latest 50 redundancies follow the 170 announced a year ago.

Danks, like other makers of shell boilers, is awaiting a revival of orders following the Government's agreement to pay companies up to 25 per cent of the cost of converting from oil to coal.

However, boiler makers say the announcement has had a negative effect so far because potential converts to coal have been delaying their orders until they can qualify for an Industry Department grant.

Companies which will have to instal new smoke stacks also have to obtain local planning permission before they apply for a grant. This delays their orders even further.

Boiler makers say there has been a vacuum of orders ever since the grants scheme was first announced in the Budget.

Nevertheless, they remain confident that the orders will start moving once the grants are processed. Danks Gowerton, the Netherton plant's parent company, says it expects a "reasonable share" of the new business.

Parkinson Cowan GWB, in nearby Dudley, said: "There has been a lot of activity. Now we're just waiting for the floodgates to open."

Low-energy hospitals plan

BY MAURICE SAMUELSON

TWO HOSPITALS which use less than half the energy of the best modern hospitals are to be built in the Sunderland area and the Isle of Wight.

The cost will be met mainly by the local health authorities but the Government will provide design assistance, and the EEC will contribute towards special technological features and monitoring performance.

Dr Gerard Vaughan, Health Minister, announcing the decision in a parliamentary answer said that building work at Newport, Isle of Wight, would start in 1983.

The UK had been a world leader in advanced hospital design for some time and a joint government and private sector consortium unveiled plans last year to build the first low-energy hospital.

It was now possible to use less than half the energy of the most modern hospitals without lowering the standard of care for patients or working conditions of staff.

● An allergy clinic, said to be the first of its kind in Britain, opened in Derby yesterday. It is the idea of Dr Harry Morrow Brown, consultant chest physician, who said the clinic would offer treatment for all diseases and conditions caused by allergy. It will be non-profit making, and consultation fees will be nominal in genuine cases of need.

Alcohol warnings urged

BY GARETH GRIFFITHS

SAFETY WARNINGS about the effects of alcohol should be carried on bottles and cans of alcoholic drink, the National Council of Alcoholism said yesterday in its annual report.

A mandatory warning should be printed telling consumers not to drink if driving or using machinery. The government should no longer leave the Code of Advertising Practice to a voluntary agreement with the advertising and drinks industries, it says. Instead, any panel should include nominated representatives of agencies concerned with alcohol abuse.

The portrayal of alcohol on television should be looked at closely. It would be "more appropriate to show that people can get on in life without always having a glass in their hands."

The report cites medical evidence that anybody drinking more than 3½ pints of beer, or seven single whiskies, or seven glasses of wine a day, runs an increased risk of liver damage.

The problem is getting worse, particularly among the young, the council warns.

One in 17 men and one in 100 women in the UK drink above these levels. One in seven men aged between 18 and 24 break the limit.

The NCA also recommends more effective health education about alcohol since there is evidence that some health education programmes, however well meaning, have achieved the opposite of the intended effect.

The report says that public awareness of alcohol abuse has increased in the past couple of years, but there is still a long way to go.

Vauxhall seeks to allay fears over Bedford

BY JOHN GRIFFITHS

VAUXHALL MOTORS is seeking to allay growing fears among its employees about the long-term future of its commercial vehicles subsidiary, Bedford.

Anxiety has mounted since Vauxhall's parent, General Motors of the U.S., announced on June 25 that it was reorganising worldwide truck operations to bring them under U.S. control. GM restructured its European operations in the mid-70s, giving Bedford responsibility for trucks and Opel of West Germany responsibility for cars.

The announcement gave no assurance that existing manufacturing operations would be maintained, only that "truck nameplates" would not change.

The reorganisation includes car and truck maker Isuzu of Japan, in which GM has a 34.2 per cent stake.

Vauxhall employees fear that UK-built Bedfords will be gradually replaced by Isuzu models. They claim this has already happened in some Far Eastern markets and there has been speculation that from September they could start to supplant British models in Nigeria, Bedford's biggest export market.

However, Mr Des Savage, Vauxhall's director of marketing worldwide, insists: "Bedford is to continue to be a major contender in the world truck markets, where traditionally we have sold up to 70 per cent of our production."

Involvement in the important Nigerian overseas market was committed in the long term. "We will continue to work closely with United Africa Motors (which assembles semi-finished Bedfords) in support of their planned expansion of assembly operations. We will also be consolidating and developing the Bedford role in support of the Nigerian Government's plans for truck production."

Mr Savage says that only Isuzu vehicles complementary to the UK-built trucks would be sold through the Bedford organisation.

Employees had three main reasons for concern, which were strengthened by the reorganisation announcement:

● An Isuzu pick-up truck is already being marketed under the Bedford badge.

● Replacements for the HA and CF light and medium vans have been postponed "indefinitely." Employees say this would leave another obvious gap for Isuzu to fill.

The company says the Ellesmere Port-built Chevanne light van—a more modern vehicle than the HA—would continue and that the CF was facelifted only last year. Employees still wonder, however, about the likely future of the Chevette-based Chevanne after production starts of GM's new small S-range in Spain in 1983. They also wonder how long the CF could remain competitive without a replacement.

● Bedford's ability to design and develop trucks has been eroded by a decision some time ago to switch responsibility to GM's "world truck project centre" at Warren, Michigan.

Mr Savage says he "welcomes" the reorganisation, which should allow Bedford to benefit from economies of scale.

Under the pressure of rising costs, truck makers increasingly have sought to rationalise production and forge alliances with each other to spread development and component costs across the highest possible volumes.

For Bedford, that could mean higher volumes as part of GM's desire to build a "world truck." Equally, it could mean that components might be supplied from GM operations elsewhere. But GM has yet to state what the effects of reorganisation might be.

Car sales in 1981 likely to be better than first feared

BY JOHN GRIFFITHS

MANUFACTURERS' hopes that the UK new car market will be better this year than first feared are reinforced by a revised forecast from stockbrokers' analysts Phillips and Drew.

They predict a market of 1.43m vehicles, 5 per cent down on 1980 but substantially above industry predictions of 1.38m at the end of last year. Since then, the Society of Motor Manufacturers and Traders has revised its own forecast upwards by 30,000 units to 1.41m.

Phillips and Drew say that although the unexpected buoyancy of sales in April and May "proved to be something of a false dawn" — June registrations were down 14 per cent on the previous June—the second quarter as a whole had seen a 3 per cent rise.

It was difficult to explain the good April and May figures: they had benefitted from promotion campaigns but the impact of these was probably not substantially greater than at other times. Offsetting them was the short supply of Fords due to industrial action.

The analysist expect a small year-on-year decline in the third quarter and a modest rise at the end of the year. They have also raised their 1982 forecast to 1.5m, up 4-5 per cent on this year.

They remain pessimistic about the medium and heavy truck market and say the final figures could be 44,000 units, half of the 1979 level. A revival to 50-55,000 units, however, was possible for 1982.

UK car production fell by 15 per cent last year to 919,000, but Phillips and Drew expect a small increase this year to 924,000, mainly as a result of BL's Metro being introduced. A rise to 1.025m is forecast for 1982, this time mainly due to the launch of BL's Acclaim and revised Rover and Princess models. BL's output should rise to 520,000 from 396,000 last year.

In the longer term, the analysts conclude it "no longer looks unrealistic" for BL to be making 700,000 cars a year by 1985 as further models are introduced. It would require, however, "that the dramatic improvement in management/workforce attitude is maintained."

UK NEWS

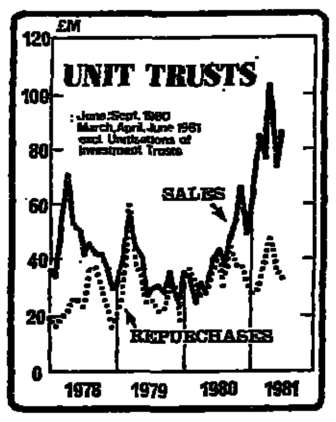
Unit trust sales reach peak of £110m

By Eric Short

SALES OF unit trusts reached a peak in June as this year's investment boom continues to gather pace. Total sales advanced nearly £40m on May to £110.1m, exceeding the previous record in April of £107.4m.

Repurchases in June declined by £3.5m to £33.9m, so net investment totalled £76.2m—£16m above the previous highest level, also achieved in April.

Last month's figures were boosted by £23.3m from the part unitisation of the Vanbrugh Fixed Interest Fund into the



Prudential Vanbrugh Gilt Unit Trust.

If this is excluded, sales and net investment were £87.8m and £52.9m respectively.

The underlying trend continues strongly upwards. Mr Mark St Giles, chairman of the Unit Trust Association, pointed out. Overseas funds were favoured by investors, and there was a continued interest in gilt funds, with £6.7m invested.

Investment in the first half of this year was £539.1m, with net investment totalling £333.6m. Unitisations so far amount to £54.6m.

Even after adjusting for this one-off source of business, investment has already broken all records. Net investment last year was £107.6m. In the record year of 1972, £241.3m was invested.

Animal experiments

EXPERIMENTS on living animals last year totalled 4,580,000, 150,000 fewer than the previous year, the Home Office said today.

These included 3.7m experiments for which no anaesthetic was required.

Midland and Natwest boost home loan schemes

BY WILLIAM HALL, BANKING CORRESPONDENT

MIDLAND BANK and National Westminster have followed Barclays Bank and improved their home loan schemes — further evidence of the High Street banks' commitment to win a larger share of the home loan market from the building societies.

Midland Bank is introducing a guaranteed house mortgage linked with a savings scheme. National Westminster is cutting its mortgage rate by half a percentage point to 13½ per cent and cutting the direct link with Base Rate by introducing the NatWest mortgage rate.

Midland Bank is raising the limit for loans up to £40,000 from 90 per cent to 95 per cent of valuation. It is also making its valuation report available to mortgage applicants.

National Westminster's new mortgage rate is similar to Barclays Home Mortgage Rate. At the new rate of 13½ per cent, the annual percentage rate on a £25,000 loan over 25 years from National Westminster is 14.6 per cent.

Mr Maurice Denton, general manager of National Westminster's domestic banking division, says his bank intends to become a major force in the mortgage market. It plans to make further improvements intended to reduce as far as possible the early monthly repayments and to allow customers to choose a fixed rate for the first years to protect against fluctuations in interest rates.

However, National Westminster has no plans to introduce a savings-linked mortgage scheme as have Barclays and Midland.

Under the Midland scheme would-be house buyers who save £60 or upwards (with no maximum) a month for two years will be guaranteed a mortgage of five times the amount saved, including interest, subject to a £30,000 maximum. Through a special mortgage deposit account, savings receive deposit rates—currently 9 per cent.

Midland has also made a number of other improvements. House loans of up to £150,000 are available with no minimum limit (previously £10,000). In calculating the loan the maximum amount is two-and-a-half times the higher of the two annual salaries of husband and wife plus the whole of the lesser income.

Barclays has been most aggressive in its pursuit of the home loan market. It has committed more than £315m in the first six months and says it intends to lend £1bn before the end of next year. Midland has lent £113m in the first two ...years. National Westminster has received applications for £170m in four months. Lloyds Bank had lent £69m by the end of last month and committed a total of £172m.

Mitel starts Welsh output

BY ROBIN REEVES

MITEL CORPORATION has begun production of its advanced micro-processor controlled electronic switchboard at its Welsh manufacturing site, only five months after deciding to establish a £28m European manufacturing headquarters in Gwent.

The first unit came off the manufacturing line this week for delivery to British Telecom. Temporarily housed in a 25,000 sq ft factory, Canadian-owned Mitel plans to build up production from 50 units a month to more than 200 a month by the time its 165,000 sq ft manufacturing base is completed by next spring.

Thereafter, the company is hoping to step up output over a period of three years to 800 units a month. Mitel employs 50 people, and plans to increase the workforce eventually to 1,500.

● The first tenants—Trukine Engineering and Yearntree—have moved into advanced factories built under the Welsh Development Agency's crash programme to help create jobs in the area of British Steel Corporation's Llanwern steelworks after 5,000 workers were made redundant there.

Business units opened

BY LISA WOOD

A DISUSED South London factory converted into 34 small industrial units to help businesses *start up* was *formally opened* yesterday by Lord Byers.

The factory in West Dulwich was formerly owned by Pye TMC and has been converted into small units with money provided by the Inner City Partnership of the Environment Department and Lambeth Council.

Mr John Morris, project manager of the workshops, said the scheme, Lambeth Industrial Enterprises, was set up through the joint action of several organisations, including the Lady Margaret Hall Settlement, the Polytechnic of the South Bank and the London Enterprise Agency. The chairman of the non-profit making company is Mr John Tilley, Labour MP for Lambeth Central.

Post Office cuts cost of sending parcels overseas

Financial Times Reporter

THE POST OFFICE will cut charges for parcels to most destinations overseas after re-negotiating contracts with British Airways and other airlines.

The cuts, which take effect on Monday, range from 28.8 per cent for a 5 kg parcel to Japan to 4.5 per cent for a similar parcel to France.

Charges for air mail parcels to most parts of the U.S., Hong Kong and New Zealand were reduced in January, and will not be affected.

The Post Office said that the cuts were intended to boost volume of overseas parcel business, and were made despite increases in its own costs and in handling charges paid to foreign postal authorities.

The Post Office said that conditions had been changed by increased use of wide-bodied jets and keener competition in air freight.

About 90 per cent of Royal Mail overseas parcels are carried by British Airways and most of the remainder by British Caledonian.

Lothian Tories urge £25.8m spending cut

By Mark Meredith, Scottish Correspondent

THE CONSERVATIVE *opposition on Lothian Regional* Council yesterday proposed spending reductions of £25.8m to save the Labour-controlled council from a £47m cut in its rate support grant by the Scottish Office.

Lothian is by far the greatest overspending council in Scotland.

Five Labour members were flown home from holidays in Czechoslovakia, Denmark, Spain and Greece at council expense to make sure the party maintained its overall majority of one needed to defeat the motion.

Lothian, based in Edinburgh and covering the south bank of the Firth of Forth, has become a rallying point for the Labour Party and other Labour councils throughout Britain, which are fighting Government tactics to make them reduce spending by threatening to cut rate support grants.

Lothian is £63m over Scottish Office spending guidelines and faces the cut in grant once Mr George Younger, the Secretary of State for Scotland, gets parliamentary backing to go ahead. His motion comes before the House next week.

The Conservative *motion* yesterday called for a reduction of 4,000 council jobs through natural wastage and a hold on new appointments. *There would be other savings* in administration costs, bus fares and school meals charges. Staff cuts alone would account for savings of £11m, while a further £6m would come off the supplies and services account covering heating, lighting, telephones and food.

Mr Brian Meek, leader of the Conservative group, feels that a £25.8m spending cut would encourage the Scottish Office to delay cutting the rate support grant. Further spending cuts would then be studied in education, where the Scottish Office officials say £20m of savings could be made, and transport.

The Labour councillors, now with the backing of the Greater London Council and other Labour groups, are digging in their heels in spite of *the Government threat.*

Cathay Pacific profits boosted by success of Hong Kong route

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE London-Hong Kong air route on which Cathay Pacific began flying a year ago, has proved a great success, with nearly 113,000 passengers and profitable financial results.

Mr Duncan Bluck, chairman of Cathay Pacific, said in London yesterday that the route "has produced a cash profit for the airline from day one, and this has enabled us to increase our flights from three to seven a week.

"In recent months Cathay Pacific has been carrying more passengers on an end-to-end basis—London-Hong Kong and Hong Kong-London—than any of our competitors."

Mr Bluck said that after "an extremely tough but nevertheless marginally profitable 1980, Cathay Pacific network-wide is experiencing a more satisfactory 1981.

"For the first six months of this year, we have been operating profitably, and in fact we are slightly ahead of our budgeted profit targets."

Cargo loads on the Hong Kong route were healthy, with a total end-to-end load over the past year of more than 4.5m kilos.

Cathay Pacific is owned by the Swire Group (71 per cent) and the Hong Kong and Shanghai Banking Corporation (29 per cent).

The airline has invested heavily in Rolls-Royce powered Boeing 747 and Lockheed TriStar jets. The fleet includes five Boeing 747s and nine Lockheed TriStars.

Cathay Pacific is discussing a joint all-cargo Boeing 747 service between West Europe and Hong Kong on a twice-weekly basis from October 1 with Lufthansa of West Germany.

Big fall in airline accident deaths

BY OUR AEROSPACE CORRESPONDENT

THE number of people killed in airline accidents fell dramatically in the first six months of this year, compared with the same period in previous years.

In the January-June period, there were 13 accidents to airliners or other aircraft engaged in commercial air transport, involving 175 deaths. This compares with 20 accidents involving 638 deaths in the comparable period of last year.

The figures were the best for several years. One reason, according to the latest flight safety analysis by Flight International, the aviation journal, is that there were no serious wide-bodied aircraft accidents.

"It only needs one of those to turn short-period statistics *upsid down," says the Flight* analysis.

"But aeroplanes still keep flying into high ground. This is perhaps the single most frightening habit they seem to have perfected during January-June, 1980, when five aircraft hit hills, killing 351 people. This year's tables show two such accidents, and 25 deaths."

Of the 13 fatal accidents in the first six months of this year, only two occurred during scheduled passenger operations. Three occurred in non-scheduled passenger flights, three in non-passenger flights (such as cargo flights) and five in commercial "general aviation."

The two scheduled passenger accidents involved a Polish aircraft in which one crew member died and an Argentinian airliner in which there were 30 deaths (five crew and 25 passengers).

Airport opinions sought

BY MICHAEL DONNE

THE Greater London Council is seeking the views of organisations and individuals in London on future airports policy. It wants to present a coherent scheme to the forthcoming public inquiry in September into the Stansted Airport development plan.

The GLC had originally favoured the Maplin project for an airport on reclaimed land off the Essex coast, with terminal buildings on an inner London site.

It has abandoned this view, and is adopting a wider approach, seeking views on either Stansted, a possible Terminal Five at Heathrow, or Maplin, without at this stage committing itself to any single solution.

A new document, A Third London Airport — *The Principal Issues, is being circulated.* Views given by August 14 will be considered and included in a final statement by the GLC for submission to the Stansted public inquiry, which starts on September 29.

The GLC's study shows that, in terms of costs, the basic airport developments vary widely — £375m for Stansted, with another £150m for a rail link; £322m for Terminal Five at Heathrow, with additional costs for new roads and an underground link, while the cost of removing the Perry Oaks sewage farm would also have to be borne; and about £440m for Maplin, with another £500m for transport links.

"It is clear that none of the sites is without drawbacks, if it is accepted that further airport capacity is to be provided for the London area," says the GLC.

Disappointment at air fares move

By Michael Donne

THE UK GOVERNMENT is disappointed with the action planned by the EEC on European air fares. It believes it does not go far enough towards achieving cheaper fares and more liberal regulation of air services in Europe.

The EEC plans, announced late on Wednesday, include seeking a detailed analysis from the European airlines of how they fix their fares, and the bases they use. The UK had hoped for a draft directive in favour of cheaper fares.

This has not materialised, Lord Trefgarne, Parliamentary Under Secretary for Trade, said yesterday. The Commission had also not fully clarified the question of the application of the Competition Articles of the Treaty.

TSBs to give large commercial loans

By William Hall, Banking Correspondent

THE TRUSTEE Savings Banks are to move into substantial commercial term lending. They have permission to lend £300m over the next two and a half years.

The move enables them to diversify from their personal customer base. Small scale commercial lending operations began in May 1979 but the new service, which will be managed by Central TSB, the group central bank, is aimed at the big corporate client.

The Central TSB is expected to rely initially on taking part in loan syndications organised by other banks, but it hopes to build up its own customer base.

A special commercial lending department was set up at the bank two months ago. It is headed by Mr Eddy Morton, a former deputy general manager of National Westminster Bank. The TSB expects to lend for periods of up to seven years Its lending will be confined to sterling.

Daytime jail plan

A SCHEME of day-only imprisonment was urged yesterday by the Magistrates' Association. It believes this could provide a credible alternative to normal prisons for minor offenders without loss of employment and family strain.

It wants the Home Office to set up a feasibility study to consider the plan, which proposes parole each evening and all da ySunday. Ocenders in full-time work would attend a centre each evening.

MP gets damages

MR EDWARD TAYLOR, MP for Southend East, yesterday accepted "substantial damages" in the High Court over an allegation in the magazine Private Eye that he had sought to join the Scottish National Party when he was Conservative MP for Glasgow Cathcart.

He sued Pressdram Limited and Richard Ingrams, publishers and editor of Private Eye over an article in the satirical magazine in February, 1981, during the Southend East by-election campaign.

Tourism hopes

THE ROYAL Wedding would "have more importance as a preview of London for future visitors than in increasing substantially the number of overseas visitors in London this July," Mrs Mary Baker, chairman of the English Tourist Board, said at the board's annual meeting yesterday.

March ban lifted

SIR DAVID McNEE the Metropolitan Police Commissioner has lifted a ban on a march and rally in London's Hyde Park planned for Sunday by "Stop the Whaling" campaigners.

270 jobs to go

THE GRINDLEY GROUP is closing its Barker Brothers factory in Longton Sta,ff,ordshire with the loss of 270 jobs. There have been more than 8000 redundancies in the pottery industry in North Staffordshire in the past year.

NEB putting £2.9m into Quest Automation

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE National Enterprise Board is putting nearly £2.9m into Quest Automation in an attempt to increase the British presence in computer aided design and manufacturing (CAD/CAM) equipment.

Quest is raising a total of £4.7m through the issue of preference shares and a rights issue announced yesterday, the balance over the NEB participation being met by City institutions. The exercise is therefore the first in which the NEB and the private sector have combined to raise money in this way to enable a company to expand.

Quest has already received funds from the public sector—through the National Research Development Corporation (NRDC) and the Department of Industry — to help with the development of a new 16 bit mini-computer which was launched yesterday.

The dual roles of the NRDC in product development and the NEB in providing financial help were emphasised yesterday as an example of the way in which the two bodies will work together. The merger of the NEB and NRDC to form the British Technology Group is expected to be announced in the Commons by the end of the month.

The NEB's stake in the Quest financial package is made up of £2.25m in convertible preference shares, and subscription to 38.6 per cent of a one-for-10 rights issue of 1.3m shares at £1.90 each.

The issue is being underwritten by stockbrokers R. Nivson and Co., with the NEB taking up the rights which are entitled to two institutional shareholders in Quest, Gresham House Estate and Welsh Industrial Investment Trust. The other shareholders include the directors, who hold about 10 per cent, other institutions with 40 per cent, and the public with 10 per cent.

Quest has announced already that it will be going for a full stock market quote later this year.

The company is based in Ferndown, Dorset, where it employs more than 500. It has grown rapidly in the last six years, and expects to show a turnover of £10.5m this year, with a trading profit of £1.9m. The new money will be used to enlarge the company's overseas operations and to extend its technical and manufacturing capabilities for CAD/CAM and other high technology products.

The supply of CAD/CAM equipment is dominated by American companies, although Ferranti and Racal are among British companies involved.

Quest claim to be the largest independent European manufacturer of CAD/CAM equipment, providing hardware and software. It has pledged to use British hardware in future developments.

Matthew Clark to pull out of table wines

By Christine Moir

Matthew Clark and Sons, the wines and spirits shippers and merchants best known for its Martell cognac, Stone's Ginger Wine and British sherries agencies, is to pull out of shipping and stocking table wines.

It announced yesterday that it was relinquishing the agencies for Kriter sparkling French wine, Louis Rachenauer Bordeaux wines, Aubert Freres Loire wines, and would stop buying Reichsgraf von Plettenberg German wines and those of the South African producer Penaflor.

Shipping and trading in these wines represented 3 per cent of the group turnover of £53.9m in the year to April 1980, the last published full year figures. However, the contribution to profits from this part of the business was negligible, Mr Francis Gordon Clark, the chairman, said.

He said that patterns of wine buying, especially at the low price high volume end of the market, had shifted in recent years. More big retailers were buying directly or quasi-directly from producers.

Matthew Clark will now concentrate on its more profitable spirit, liqueur, champagne and fortified wine interests,

It also owns Finsbury London Dry Gin, and through its 52 per cent holding in J. E. Mather, is a leading producer of British sherries.

Matthew Clark made pre-tax profits of £2.6m in 1980, but since then there has been a general decline in the cognac, champagne and British sherries market. For the eight months to last December the company reported a 20 per cent decline in pre-tax profits to £1.73m.

Cyclical indicators suggest more caution over economic outlook

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

GREATER CAUTION about the economic outlook than there was a few months ago is suggested by the official cyclical indicators, aimed at identifying turning points in the level of activity.

Central Statistical Office figures yesterday showed that the composite index of coincident indicators remained broadly unchanged between November 1980 and March, the latest month for which all figures are available, reflecting a levelling-out of economic activity from a sharp decline.

The index showed no sign of a recovery suggested by the earlier upturn in the short and longer leading composite indices, looking ahead an average of five and 13 months respectively.

The coincident index fell slightly in both April and May, though based on only partial information.

This is almost entirely because of the drop in volume of retail sales from the buoyant levels in January, and as a result of the impact of the motor industry strikes on manufacturing output in May.

When the results of the CBI survey for July, and gross domestic product measures for the second quarter, become available the picture may change.

The overall impression is in line with other signs that economic activity is flat.

Most forecasters expect no real evidence of recovery before the New Year at the earliest, in contrast with hopes of Ministers in the spring that a steady recovery was about to begin.

Money supply 'within target'

BY PETER RIDDELL

A LARGE outflow of sterling from the UK private sector helped hold down sterling M3, the broadly defined money supply, last month.

Bank of England figures published yesterday show that sterling M3 rose by 0.2 per cent, seasonally adjusted, in the month to mid-June. The figures were again distorted by the Civil Service dispute.

The Bank said: "It is increasingly difficult to estimate the extent and direction of such distortions, particularly in individual months. Nevertheless, over the four months since mid-February, the underlying growth of sterling M3, at an annual rate, is likely to have been within the target range of 6 to 10 per cent."

There were large movements on the external side. UK residents increased their foreign currency deposits by £780m, of which some £440m was attributable to transactions during the month and the balance reflected exchange rate changes. As a result, M3, which is distinct from sterling M3, rose by 1.1 per cent.

Lending in sterling to overseas rose by £290m, about half in market loans to banks aboard for Euro-sterling transactions. Taken together with external and foreign currency finance of minus £620m this implies negative overall external and foreign currency finance and indicates an outflow of sterling from the private sector.

This factor offset domestic credit expansion of £1.15bn, after seasonal adjustment. The latter mainly reflected central government borrowing of £1.67bn, about two-thirds of which is estimated to have been a direct result of the Civil Service dispute.

Net purchases of central government debt by the non-bank private sector—financial institutions and the public—was £1.01bn.

MONEY SUPPLY
(Percentage rates of growth)

	Last month	Since February at an annual rate	Last 12 months
M1	−0.5	+14.3	+12.0
Sterling M3	+0.2	+14.3	+18.3
M3	+1.1	+23.6	+22.0
PSL1	+0.2	+14.4	+13.5
PSL2	+0.4	+44.2	+13.2

Source: Bank of England

Figures in recent months distorted by the impact of the Civil Service dispute. Official estimate that underlying growth of sterling M3, at an annual rate, is likely to be within 6 to 10 per cent target range.

BSC delays survival plan review

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE BRITISH STEEL Corporation is delaying, possibly for a couple of months, the review of its corporate plan. The review was to be conducted with the Government later this month. But further clarification on European steel prices and rationalisation is needed.

The delay, which has been discussed with the Industry Department, has been decided despite the fact that Mr Ian MacGregor, BSC chairman, has preliminary resutls figures for the first quarter of this financial year. It had been assumed that Mr MacGregor would be in a position to make the review when these figures become known in BSC.

But the corporation is believed to feel that there has been insufficient time to determine the effect on price levels in Europe of the mixture of mandatory and voluntary quotas which were introduced on July 1.

The target is for prices to rise by between 10 and 15 per cent, at which point they would more closely match prices in the U.S. and Japan.

If BSC could make sure that prices stuck at this level, the effect on its operating finances would be substantial.

Mr MacGregor has made clear several times that if his survival plan, approved by the Government earlier this year, is not successful in steering the corporation toward viability, "further significant closures will have to be contemplated."

The big successes by the corporation in the past year have been recovery of a large part of the market share lost to imports in the strike and a big improvement in productivity at some plants which lagged far behind European competitors.

But it appears that the Teesside operations are falling seriously below target,

Four Hogarth drawings fetch record prices

BY ANTHONY THORNCROFT

SALEROOM
BY ANTHONY THORNCROFT

FOUR DRAWINGS by Hogarth, preliminary work for his series of prints Industry and Idleness, sold for high prices at Sotheby's yesterday. Only 100 drawings by the 18th century artist are known, 90 of which are already in public collections. These four had belonged to Jane, the artist's wife, and were in the collection of the Marquesses of Exeter for almost 200 years until 1962.

All were bought yesterday by David Newman, the London dealer, who paid £29,000, £23,000, £17,000 and £10,000—prices way above the estimate and easily records for Hogarth drawings. A Turner watercolour Steamers of Margate, once owned by Ruskin, went for £25,000.

At Christie's, a Regency mahogany games table which had belonged to the late Princess Alice, Countess of Athlone, was bought by Partridge, the London dealer, for £16,000, four times the forecast. A pair of Regency mahogany dumb waiters from the same estate made £5,800.

All told, 26 lots were on offer from the same source and sold for £33,970. Many were marked Claremont, signifying that they were originally at Lord Clive's house near Esher, Surrey, built by Capability Brown.

Lady May Abel-Smith, the daughter of Princess Alice, disposed of furniture, also removed from Kensington Palace, for £17,560, with a Regency break-front book case going to the London dealers, Phillips and Harris, for £7,200.

In contrast, at Chester Sotheby's, Beresford Adams sold a carved soft wood musical toilet roll holder which plays the Grand March from Aida for £60.

Sotheby's in London held its first sale of jewels for the collector with a total of £110,792 and a top price of £8,800 for a Giulano jewelled bangle, circa 1865.

UK NEWS—PARLIAMENT and POLITICS

Whitelaw says riots partly caused by social deprivation

BY IVOR OWEN

MR WILLIAM WHITELAW Home Secretary admitted in the Commons last night that social deprivation has been a contributory cause of the recent wave of street riots and announced that Mr Michael Heseltine the Environment Secretary is to spearhead an urgent drive to bring new hope to the blighted areas of Liverpool.

He will become Cabinet Minister in residence on Merseyside charged with the task in co-operation with the local authorities and the urban development corporation of producing a scheme for the revival of decaying inner urban areas. This may serve as a pilot model for use in other parts of the country.

In a carefully balanced speech the Home Secretary reaffirmed full support for the police in bringing arsonists and looters to justice and insisted that nothing could condone the unprecedented violence of the past of the country.

At the same time he announced that the Metropolitan Police Commissioner had ordered an inquiry into the police raids in the Railton Road area of Brixton which resulted in complaints of damage to property and led to a fresh outbreak of rioting in Brixton yesterday.

Mr Roy Hattersley, Labour's Shadow Home Secretary, protested that on the evidence so far available, the raids had been wrong in principle and wrong in practice.

He praised Lord Scarman, who is conducting an inquiry into the April riots in Brixton and visited Railton Road within hours of yesterday's raids, for the "miracle" which had prevented the disturbances being even worse.

Angry Labour MPs persistently heckled and interrupted Mr Enoch Powell (UU Down South) when he repeated his warnings that the growth of the coloured population in London and other areas, towards the end of the century will make them "ungovernable" and produce situations which could only effectively be described as "civil war."

Mr Whitelaw, whose speech was acclaimed by many Labour MPs but heard in silence by most Government supporters, stressed the need to recognise the complexity of the issues raised by the riots and insisted that the situation could not be dealt with by simple slogans.

While emphasising that the decay in inner urban areas had taken place over a period of years under successive governments he stated: "We must be prepared to acknowledge some measure of failure in our society, particularly as regards young people."

He described the problems on Merseyside as being "particularly deep seated" and said the aim must be to minimise the sense of frustration among young people so as to prevent them from turning to violence.

The Home Secretary repeatedly underlined the fact that the police were entitled to the full support of the public and Parliament in preserving law and order, and confirmed that a full range of anti-riot equipment including CS gas and plastic bullets, would be at their disposal.

He assured MPs that CS gas would only be used when there was a serious risk to life or wide destruction of property and then only by specially trained personnel and only on the authority of the chief constable or his deputy.

Mr Whitelaw rejected as impracticable the suggestions that the Home Secretary's personal authority should be sought for the use of CS gas or plastic bullets.

Whitelaw: "full support for police"

Hattersley: praised Lord Scarman

Mr Whitelaw made it clear that he would not be rushed into a decision to reintroduce the Riot Act.

He accepted, however, that despite the range of powers and penalties currently available, it was often difficult for the police to isolate and identify particular wrongdoers in such violent situations.

The Home Secretary explained that the object of the review being conducted by the Lord Chancellor, and the law officers of the Crown was to evaluate in an overall perspective, what new powers generally should be made available to the police to maintain order and to deal with disorder.

Dealing with the general issue of race relations Mr Whitelaw emphasised that the Government did not want a society in which there were second-class citizens.

"We want a society where people are treated on their merits," he declared.

Mr Powell claimed widespread acceptance of his view that the inexorable growth of the coloured population in Britain must lead to conflict.

He foresaw a situation developing in which the police would find themselves increasingly under attack as they stood between the indigenous population and the "newcomers" in an attempt to preserve law and order.

Ignoring Labour protests, Mr Powell contended: "We would grossly deceive ourselves if we supported that we were nearer to the end of this experience than to the beginning."

He maintained that what had happened in the last week could never be reversed. "People have come to terms with the face of reality as they have never done before."

Icy Enoch fires the House with dark words

MPs SEEMED to be in a subdued and sober mood in the Commons yesterday as they awaited the start of the big debate on last week's street rioting. There was, of course, the normal knock-about during Prime Minister's Question Time.

Mrs Thatcher seemed to have an anxious eye on the Warrington by-election while Mr John Silkin, Labour Shadow Leader of the House, had an equally anxious eye on his chances of winning the contest for the deputy leadership of the Labour Party.

The Prime Minister, who seemed a bit worried about the possibility of a nasty result from Warrington, nervously observed that it was not unknown for mid-term by-elections to cause problems for governments.

Mr Silkin was standing in for Mr Michael Foot, the Labour leader, who was absent at the Socialist International meeting in Bonn, but managed to rush back in time for the debate.

Mr Silkin, who had just issued his manifesto in the deputy leadership campaign, declared that the police should not be used as an alibi for the policy failures of the Prime Minister and the Government — a remark which Mrs Thatcher denounced as "monstrous and disgraceful."

With those pleasantries out of the way MPs settled down to hear Mr William Whitelaw, Home Secretary, open the debate.

Although he has been criticised by some Right-wing Tories, for being too "soft" there can be no doubt that Mr Whitelaw was the perfect man to put the Government case in the House yesterday.

It was an emollient speech which had a calming — almost soporific effect. There was something for everybody.

This comparatively cosy atmosphere changed dramatically however as soon as Mr Enoch Powell (U Un South Down), the former Tory Cabinet minister rose to speak.

The Government, he said, should tell the people the facts about the growth of the immigrant population.

Labour tempers rose as Mr Powell — an intense hunched figure — quoted from a letter he had received speaking of the inevitability of conflict as the immigrant community expanded "house by house, street by street, area by area."

In his most dark and apocalyptic mood Mr Powell again warned of the possibility of the cities becoming ungovernable with conflict on the scale of a civil war.

Mr Andrew Faulds (Lab. Warley East) continually tried to interrupt accusing Mr Powell of being frightened to listen to the counter arguments.

"Bloody rubbish," spluttered the bearded Mr Faulds, bringing a warning from the Deputy Speaker Mr Bernard Weatherill that he would order him from the House if there were any more interventions of that kind.

Dame Judith Hart (Lab. Lanark) accused Mr Powell of "evil encitement to hatred" and angrily stomped out of the Chamber in protest.

But the unrepentant Mr Powell, retaining an icy calm at the centre of the storm continued remorselessly and declared: "I am within the judgment of this House and I am within the judgment of the people of this country.

I am content to stand before either tribunal."

John Hunt
Parliamentary Correspondent

Heseltine heads inner cities inquiry

BY MARGARET VAN HATTEN, LOBBY STAFF

THE DECISION to send Mr Michael Heseltine, the Environment Secretary, to Liverpool to investigate inner city problems represents the Government's first unequivocal admission that unemployment and urban deprivation played a big part in causing the riots of the past two weeks.

Mr Heseltine, accompanied by Mr Timothy Raison, Minister of State at the Home Office, and a contingent of senior civil servants, will spend the next two weeks in Liverpool.

He will review the working of all government departments there, with particular emphasis on how effectively money is being used to alleviate inner city problems.

The investigation is expected to continue through the summer, with Mr Heseltine reporting back periodically to the Cabinet, and making a full report with recommendations to the Commons at the beginning of the next session of Parliament.

Mr William Whitelaw, Home Secretary, announcing the move yesterday, conceded that serious unemployment among the young in inner city areas has led to pent-up frustrations over the summer which found their outlet in football hooliganism and other forms of violence.

Years of effort and substantial sums of money had not been used as an alibi... have not worked out. It was now up to the Government to recognise the "failure in our society," and to take on wider responsibility for creating the conditions in which violence would be rejected.

The whole tone of his statement was in marked contrast to his speech in Warrington last weekend, where he attributed the riots to "criminal hooliganism" and like several other Cabinet Ministers, denied any relationship between social unrest and the soaring unemployment figures.

Liverpool bound: Timothy Raison (left) and Michael Heseltine.

Eric Heffer: "sounds good"

There are indications that the weekend's violence, with outbreaks of looting and rioting in more than 30 cities, has forced the Government to recognise a wider dimension to the crisis than it has been prepared to admit until now.

However, it is not clear whether the Government is prepared to spend more money on the problem at this stage, or whether its efforts will be directed mainly to more effective use of that already allocated.

The initial reaction from the Opposition yesterday was one of approval.

Mr Eric Heffer, the pugnacious Labour member for Liverpool Walton, intervened early in Mr Whitelaw's statement to say that the plan "sounded pretty good."

But he wanted to know whether it pointed to a policy change in relation to local authority spending. Would the threat be withdrawn to cut £14m from Liverpool's rate support grant this year as a penalty for "overspending" £19m. There was no immediate answer.

It was being stressed yesterday that in going to Liverpool Mr Heseltine would be starting up a pilot scheme which would later be introduced in other problem urban areas.

Liverpool had been chosen as the area in most urgent need of action but the problems and solutions identified there would be applied to other cities.

Mr Heseltine will talk to local authorities, industrialists, trade unionists and community leaders. A meeting has already been arranged with the other members of the Liverpool partnership committee, a liaison group between local authorities and central government, of which Mr Heseltine is chairman.

Mr Raison, whose responsibilities at the Home Office include race relations, and who played a key role in the passage of the Nationalities Bill, will pay particular attention to the racial dimensions of the problems, it is believed.

Priority will be given to coordinating financial assistance to inner city areas. The Government believes that poor links between its various departments and local government bodies are responsible for inefficient use of funds and long delays in implementing projects.

MPs were hard put to decide whether the task represents an opportunity for Mr Heseltine to overcome the political setbacks and unpopularity he has encountered as Environment Secretary, or a long rope for his considerable political ambitions.

Some saw the move as a snub for Mr James Prior, the Employment Secretary, whose ambitious plan to alleviate youth unemployment has been shelved, at least temporarily.

As one Conservative backbencher remarked: "There's a very big prize in all this for whoever comes up with the right answer, and Jim seems to have been pushed out of the running for the moment."

While Mr Heseltine has been given a wide remit with no initial financial constraints, it is widely agreed that his success will be judged largely in terms of his ability to keep down costs.

Any significant relaxation in his policy of cutting back local authority spending will probably get short shrift from Mrs Thatcher and her Treasury ministers.

The Government's refusal to specify whether Mr Heseltine's mission will affect threatened cuts in Liverpool's rate support grant and its insistence on more effective use of existing allocations has already provoked scepticism on the Opposition benches.

Despite initial welcoming noises from Mr Heffer, and Mr Roy Hattersley, the Shadow Home Secretary, several Labour MPs later dismissed the move as "cosmetic gimmickry."

The Government, they said, was anxious to be seen in control of the situation and to pre-empt charges of ignoring the underlying causes of the riots. But without a willingness to spend more money on the inner cities, it could make little impact on the problem.

During the week that Mr Heseltine is based in Liverpool, his responsibilities at the Department of the Environment will be taken over by Mr Tom King, the Local Government Minister.

However, it was stressed yesterday that there was no permanent change in ministerial responsibilities, and reports that Mr Heseltine might subsequently be appointed Minister for the Inner Cities were firmly denied.

Red Cross team visits Maze jail

By Our Belfast Correspondent

A THREE-MAN team from the International Committee of the Red Cross, which is to investigate prison conditions in Northern Ireland, visited the Maze prison, near Belfast, immediately after arriving in the province yesterday.

The Government had sent a Northern Ireland Office official to Heathrow airport to meet the three Swiss nationals, travelling from Geneva to Belfast.

The Government agreed on Wednesday night that the Red Cross should study the conditions under which all prisoners are held.

The three are expected to conclude their examination next week. They have access to all four Ulster jails, and will be able to speak to the eight Republicans on hunger strike.

They are not expected to comment during the course of their investigations, but will make a speedy report to the Government which will include any recommendations they feel are necessary.

The protesting prisoners said they would approach the Red Cross visit with caution, because they believed: "The British are intent on using them against our interests."

The prisoners reiterated that the best way to resolve the dispute was through direct negotiations with the Government, a suggestion already ruled out by Mr Humphrey Atkins, Northern Ireland Secretary.

Provisional Sinn Fein, the political wing of the Provisional IRA, said yesterday that Kieran Doherty, now on his 58th day without food, had been given the last rites by a priest.

GLC seeks housing cash boost

BY ANDREW TAYLOR

THE Greater London Council has asked the Government to more than double its housing allocation next year, because of the housing crisis in the capital.

The council has asked for its housing investment programme allocation to be increased to £200m in 1982/83 compared with a 1981/82 allocation of £91m.

The GLC says it needs the money to increase its building programme and carry out improvements to older properties.

Last month Mr Michael Heseltine asked local authorities to submit their housing capital expenditure requests for 1982-83 with an outline of how the money is to be spent.

The Government has said it wants local authority capital expenditure on housing in England to fall by about a further 13 per cent next year.

The GLC, like other local authorities, has had its housing investment programme allocations cut substantially over the past few years. In 1979-80 its allocation was £229m, and £238m in 1977-78.

Mrs Gladys Dimson, chairman of the GLC housing committee, said: "Despite considerable rises in the cost of living the annual allocation has steadily fallen. The Government must realise that the GLC cannot cope with its overall housing responsibilities if it is starved of the necessary funds.

"We have put in what we consider to be a very modest, but a very realistic bid. We must not be tied by rigid public expenditure controls."

● Woolwich Equitable Building Society warned yesterday that not enough attention was being paid to maintaining Britain's existing housing stock. Some homes, particularly those built in the 1920s and 1930s are "in danger of sliding into obsolescence, and this should be prevented before it becomes irreversible," said the society.

The Woolwich claimed that unless there was a dramatic improvement over the next five years more than 1m homes in the private and public sector would be in need of repairs costing more than £4,000.

It said 4½m homes were already over 40 years old and were reaching a stage when major repairs would be necessary.

Next week's business in Parliament

COMMONS

Monday: Debate on EEC Budget; Finance Bill, Third Reading; European Community document on fresh poultry meat.

Tuesday: Debates on Rate Support Grant Reduction for the Lothian Region and the Dundee and Stirling Districts, and on Western Ferries (Argyll).

Wednesday: Debate on the Navy; Contempt of Court Bill, Lords amendment; Co-operative Development Agency (Grants) Order; Motions on the Highlands and Islands Shipping Services; North of Scotland Hydro-Electric Board Order.

Thursday: Consolidated Fund (Appropriation) Bill.

Friday: Debate on the Brandt Report.

LORDS

Monday: Armed Forces Bill, Third Reading; Defence debate.

Tuesday: Education (Scotland) Bill, committee; British Nationality Bill, Committee.

Wednesday: British Nationality Bill, Committee; Atomic Energy (Miscellaneous Provisions) Bill, Third Reading; Film (Quotas) Order.

Thursday: British Nationality Bill, Committee; Diseases of Animals (NI) Order; Appropriation (NI) Order; Industrial Investment (Amndt.) (NI) Order.

Friday: Friendly Societies (Amendment) Bill, all stages; Finance Bill, all stages; Supreme Court Bill Commons amendments.

Mental health care changes plan

BY GARETH GRIFFITHS

THE GOVERNMENT plans to transfer responsibility for 20,000 mentally handicapped and ill people and some elderly long term hospital patients away from the National Health Service to local authority social services departments.

It is also keen to increase the scope of joint financing schemes between local authorities and central government departments.

In a consultative document, Care in the Community, published yesterday, the DHSS outlines ways in which responsibility can be transferred.

Some 15,000 mentally handicapped people and 5,000 mentally ill people would be discharged immediately from long term hospitals to community care. The document, which deals with the situation in England only, argues strongly that most of the patients want to be looked after in the community rather than in large institutions, and the thrust of professional advice backs this up.

Sir George Young, the Parliamentary Under Secretary at the DHSS, said yesterday that the aim of the change was not primarily to save money, although the long-term hospitals "were costing a bomb."

The Government plans to consult local authorities, unions and voluntary groups until the end of November.

The cost of 15,000 mentally handicapped patients to the health service during 1979-80 was about £90m, and the cost of looking after 5,000 mentally ill patients was £35m. The DHSS, in figures which it says are illustrative rather than considered estimates, suggests that social service departments would need an extra £125m a year to cover the new responsibilities for the mentally ill and handicapped. No figures are given for the elderly.

Sir George said there was a need for two adequate assurances: firstly that any NHS funds transferred would be spent on the care of the transferred patients, and secondly that the funds allocated to local authorities would in no way affect their eligibility for block grants from the Department of the Environment. The Government says no extra resources will be available for the scheme.

'No guarantee' on recess date

MR FRANCIS PYM, Leader of the Commons, declined yesterday to give the House a firm date for the summer recess because of the "unusual" circumstances in the country.

Mr Pym told Shadow leader Mr John Silkin: "Subject to the progress of business, I hope the House will be able to rise for the summer adjournment on Friday July 31. However, as the House will understand, that is a date that I am not able to guarantee."

LABOUR NEWS

Banks union urges action to end 'female ghettoes'

BY OUR LABOUR STAFF

BANKS and finance companies should embark on programmes of positive action to combat discrimination against women which is rife in the sector despite legislation, according to the Banking Insurance and Finance Union.

In a report on the problem, entitled Equality For Women—Proposals for Positive Action, the union says that although women form the majority of workers in banking and finance, they are concentrated in the "female ghetto" areas in the bottom clerical grades. Few reach the higher or appointed grades.

The union says it is "vitally concerned" to improve the job prospects of its women, who make up just under half of its 150,000-strong membership.

Its researchers have found that despite the Equal Pay and Sex Discrimination Acts, little progress has been made since the union last investigated the position of its women members in depth in 1974.

The work of the union's researchers is said to have been hampered by difficulties in obtaining a statistical breakdown of the workforce in certain banks. As a result, it is considering taking at least one of the major clearing banks to the Central Arbitration Committee under the disclosure provisions of the Employment Protection Act.

Discrimination in banking and finance is blamed largely on outdated attitudes about the respective roles of men and women at work and management practices not expressly designed to discriminate, but which do so in effect.

The report points out that banks rely on high turnover of staff in lower grades to prevent career blockages and dissatisfaction higher up.

Female staff are recruited into low grade low status jobs and unlike their male colleagues are rarely encouraged to seek promotion and the professional qualifications vital to further their careers.

The union says that since so little progress has been made in solving the problem over the past five years, it believes time is ripe for a new strategy. The report recommends the development of comprehensive equal opportunities programmes in each bank and company embodying the principle of positive action.

Liverpool docks action goes on but . . .

Hope in port pay row

BY OUR LABOUR STAFF

SHOP STEWARDS representing 1,600 dockers in Southampton are likely today to recommend to a mass meeting acceptance of a two-year pay formula, aimed at settling what is believed to be the longest industrial dispute in the port's history.

But in the Port of Liverpool, union negotiators in a prolonged dispute which has delayed a pay settlement for dockers for nearly three months, yesterday endorsed a shop stewards decision to continue their industrial action campaign.

The proposals for a two-year pay deal in Southampton arose earlier this week from an initiative taken by the Transport and General Workers Union. If accepted by dockers, it is likely to be studied with interest by other financially hard-pressed port employers elsewhere in the country concerned to avert industrial relations problems during the new wage round for dockers starting in the autumn.

Details of the new formula have yet to be discussed but Southampton employers, led by the British Transport Docks Board, have insisted that the port cannot afford to improve on its long-standing offer of a basic rate increase this year from £94 a week to £105 a week.

The dockers originally claimed earnings parity with non-registered dock staff which employers estimated was over 20 per cent.

Employers are anxious to see a return to stability in the port following nearly three months of operating only a single weekday only cargo handling shift because of the dispute.

In Liverpool, dockers are resisting an employers' demand that a wage rise should be conditional on acceptance of changes in working practices which would increase cargo handling efficiency in the port. Dockers have staged a series of one day token stoppages in protest at delays in a settlement.

Staff laid off as strike halts brewery

WHITBREADS BREWERY yesterday laid off 170 workers at their two Liverpool depots, following a week-long strike which has brought beer production to a halt.

A management spokesman said last night that the dispute is affecting supplies to about 300 of the company's pubs in the area. Some pubs have run dry.

The strike, by 12 brewery workers, started a week ago in protest at the sacking of five men for allegedly arriving back late after lunch.

The brewery men have since picketed the depots and the company has had to lay off transport, storage and handling staff.

Quota plan 'will harm the disabled'

By Our Labour Staff

THE MANPOWER Services Commission's plan to end the employment quota for disabled workers was attacked yesterday as "a totally inadequate response to the serious and growing problem of unemployment among disabled people."

The Disability Alliance, a federation of over 70 organisations representing the disabled, said in a statement that the change proposed would significantly weaken statutory protection for the employment rights of disabled people.

The MSC has put forward proposals to end the existing three per cent quota and replace it with a new statutory duty on employers to take "reasonable" steps to promote equal opportunities for the disabled.

But the alliance says the commission's proposals are "too imprecise to be enforceable."

The alliance said: "The recommendation flies in the face of the nearly unanimous view of disabled people and disablement organisations that the quota system should be strengthened, not weakened or abolished."

Accidents at work drop by 46,051 last year

BY ELAINE WILLIAMS

INDUSTRIAL accidents fell by more than 14 per cent in 1980, according to Health and Safety Executive figures published yesterday.

Falling productivity and employment contributed to the drop.

The total number of accidents reported last year was 272,822, compared with 318,873 in 1979. Last year was the fourth year in succession that the accident rate fell.

There was also an 8 per cent drop in the number of fatal accidents at work—the eighth consecutive year to show a fall—bringing the total number of deaths in 1980 to 615.

Though the reduction in the overall accidents rate was noted throughout the major industry groups, the fall in reported deaths at work came mainly from metal manufacture—down to 21 deaths compared with 35 in 1979; transport and communications, where there were 50 fatalities compared with 68, and agriculture, where deaths fell from 71 to 63 in 1980.

The Health and Safety Executive said the fall in reported accidents in metal manufacture was the result of the trade dispute in the steel industry in early 1980, coupled with a 35 per cent overall drop in steel output against 1979.

Last year up to 8m more employees came within the scope of safety legislation under the Health and Safety and Work Act.

Earlier this year Mr Jim Hammer, Chief Inspector of Factories, criticised large sectors of industry for taking a "too short-term and narrow" view of health and safety spending during the recession.

BR lays on extra trains

EXTRA TRAINS and reduced fares feature in BR's plans for the royal wedding.

An extra 17 overnight trains will be provided from all over England, including specials from Newcastle, Sheffield, Manchester, Liverpool, Bristol, Cardiff, Plymouth and the West of England.

Reduced fare offers include a £4 return ticket from any Southern Region station (£1 for children); an £8 return fare on the special trains from Liverpool, Southport, Wigan and Warrington, and bargain fares from Scotland.

Business books

Treasury management—a practitioner's handbook by John B. Gianotti and Richard W. Smith. Ronald Press, John Wiley and Sons, 605 3rd Avenue, NY 10158, New York, $39.50

Designed for corporate treasurers of companies with international operations, this book explains how companies can cope with problems like foreign exchange exposure, funding and inter-company cash management in this era of turbulence on the foreign exchange markets. The authors were both formerly with the International Money Management Group at Morgan Guaranty Trust Company where they found companies much in need of advice on this subject, but little literature to help them.

Managing for Success, the Farnsworth Formulas, by Terry Farnsworth. McGraw Hill, price £5.95.

If you are not too familiar with such executive complaints as "Attila's Complex" or "Creeper's Stoop," this is just the book to throw a little light on such lesser-known and little understood health hazards. What the author has done is to provide a light hearted, though at times highly perceptive, analysis of how to become a top executive, what hazards lie in wait and how to avoid them, and what types of character you are likely to meet on the way.

Thus, you will recognise those afflicted by Attila's Complex as "senior managers with delusions of grandeur and an insatiable craving for displays of deference on the part of those in subordinate roles," while Creeper's Stoop is "caused by excessively deferential postures."

Brits Abroad — a guide to living and working in the Developing Countries, by Harry Brown and Rosemary Thomas. Express Books, price £3.95.

Availability of nappies may not be the most pressing problem for those living in the UK within easy reach of a well-stocked chemist, but it could become something of a nightmare for any businessman and his family after they have been transported to some seemingly warm and idyllic spot in the middle of nowhere. To be forewarned, therefore, is to be forearmed and this book certainly provides a useful guide not only to business practices in different countries, but also to social customs.

Citicorp pays a premium price for success

David Lascelles examines the strategy that has altered the pecking order at the top of the world banking league

IN A LAND where biggest is still best, the neck and neck race between Citicorp of New York and Bank of America in San Francisco for the coveted title of America's biggest banking group seems to be going to Citicorp. After trailing the Californian giant for decades, Citicorp — more familiarly known for its Citibank subsidiary — started pulling ahead last year, and by March 1981 had piled up $117bn in assets against B of A's $114bn.

This must have brought great satisfaction to Citicorp's executive suites in Park Avenue, Manhattan, from which Walter Wriston, its Chairman, has masterminded the bank's relentless pursuit of growth for the last 11 years and given it a reputation for aggressiveness unequalled anywhere on the international banking scene.

As one of the bank's officers said in typical Citicorp-ese: "This bank has a low tolerance of not doing well."

Citicorp is now in more businesses in more countries of the world than any other U.S. bank, and is able, in many people's opinion, to read world events better than the State Department. Satisfied customers also speak highly of the depth of its management and banking expertise. Technologically, too, Citibank has been at the forefront of change.

Wriston himself, tall and sarcastic, has become the unelected leader of the U.S. banking industry and champion of the long-running battle for reform of U.S. banking law. While Citicorp's sharp elbows may have bruised some ribs, it has often blazed new trails that others quickly followed. It has fought — and frequently won — legal battles that have benefited the banking industry as a whole.

But not everyone reacted to news of Citicorp's emergence as Number One with unrestrained delight, and for Citicorp itself the moment of glory was soured by falling profits and the embarrassing resignation of the man who is credited with supplying Wriston with his master plan. Ironically, Citicorp may have become biggest at the very moment when that plan was beginning to crack under the strain.

Envious competitors claim that Citicorp only got where it did by unscrupulously muscling its way into new businesses. Wriston recently enraged Californian banks by personally pressing Governor Jerry Brown to back a bill which Citicorp itself had drafted to gain freer access to the State's lucrative market.

Shareholders are not particularly pleased either. Citicorp's adventurous approach to business has resulted in a patchy earnings record which has tended to damp down its share price. As a Wall Street analyst who follows the bank closely muttered: "Citicorp is a lousy place to make a buck."

Perhaps the most telling accusation is that Citicorp is a bank obsessed by objectives, not realities. "Wriston sets a growth target and everyone goes hell for leather at it. You can't run a bank like that. If anything falls short, things start to stretch and buckle and sooner or later someone is going to say they've had enough," was the comment from another analyst who has found it hard to recommend Citicorp stock to his clients.

Earnings decline

Citicorp's obsession with objectives goes back to the days when Wriston took over the bank and vowed to increase earnings by 15 per cent a year —and did. Over the next six years, profits went up by an average 17 per cent a year and left its main New York competitor, Chase Manhattan, far behind. But after 1976, the pace slackened. The average over the past four years has been only 6 per cent. And last year Citicorp had its worst year ever—an earnings decline of 7 per cent, which meant that Citibankers went without their bonus.

Earnings improved in the first quarter of this year, thanks largely to Citibank's success in getting New York State to ease laws which clamp ceilings on the amount of interest banks can charge on consumer loans. Bank of America, meanwhile, reported its first dip in earnings in 14 years because of its own troubles. However, analysts expect Citicorp to report a drop of as much as a third when it announces its second quarter profits next Tuesday, mainly because of the persistence of high interest rates.

Wriston put a brave face on last year's setback, blaming it sharply from the record levels on the tough banking environment, at home and abroad. Heavy reliance on foreign business (62 per cent of earnings in 1980) had exposed it to the ups and downs of world markets, as intense competition pared profits to the bone in the Euromarkets. Domestically, the bank's deep involvement in the unprofitable consumer banking business accounted for a large part of the setback.

But with the possible exception of Morgan Guaranty, Citicorp's major competitors — notably Chase and Manufacturers Hanover — are in very much the same markets, yet they managed to do a lot better for reasons which, critics say, reflect badly on Citicorp's management.

Although Wriston denies that growth takes precedence over profits, Citicorp may have piled on assets a little less discriminately than it should. According to a recent study by Salomon Brothers, Citicorp had higher net loan losses last year both in absolute terms and as a percentage of total loans than any other major "money centre" bank except First Chicago, which was passing through a crisis at the time.

Citicorp also seems readier than other big banks to take bets on interest rates. Last year it made a central decision that dollar interest rates would drop sharply from the record levels they set in the spring. It positioned itself accordingly, mainly in the Euromarkets, only to get badly squeezed when interest rates did the exact opposite.

By comparison, other banks tried to reduce rather than increase their exposure to changes in interest rates. This may produce less exciting profits, but the strategy appears to have served them better during the recent gyrations in the credit markets. Citicorp was the only major U.S. bank to report a decline in international earnings last year, from $352m to $315m.

This added to worries that Citicorp had got too deeply into the risky foreign lending business. But the bank has been quick to defend itself.

"It's not Poland and Turkey who are zapping us. It's Chrysler and Itel," said Wriston. G. A. Costanzo, the vice-chairman who is in charge of establishing Citicorp's country-risk-exposure, also maintains that fears of defaults by big borrowers like Brazil are ill-founded. "There have been many encouraging developments in Brazil," he said, listing a surge in capital inflows, effective exchange rate and energy policies and good export prospects, all of which he claims will lead to a "substantial" decline in Brazil's debt service ratio in the years ahead.

Citicorp's problems also stem in large part from its big commitment to the retail banking business—an unfashionable pursuit for a bank in New York, a city whose high operating costs and tough banking laws make it a notoriously tough retail market. Last year, Citicorp found itself having to fund mortgages and consumer loans (whose yields were frozen by law in the money markets) at twice the rate.

But again, that commitment results from a strategic decision taken in the mid-1970s to go into retail and win the biggest slice of a market that is estimated to be worth $1.3 trillion (million million) nationwide. Citicorp backed that commitment by spending more than $100m on automatic teller machines.

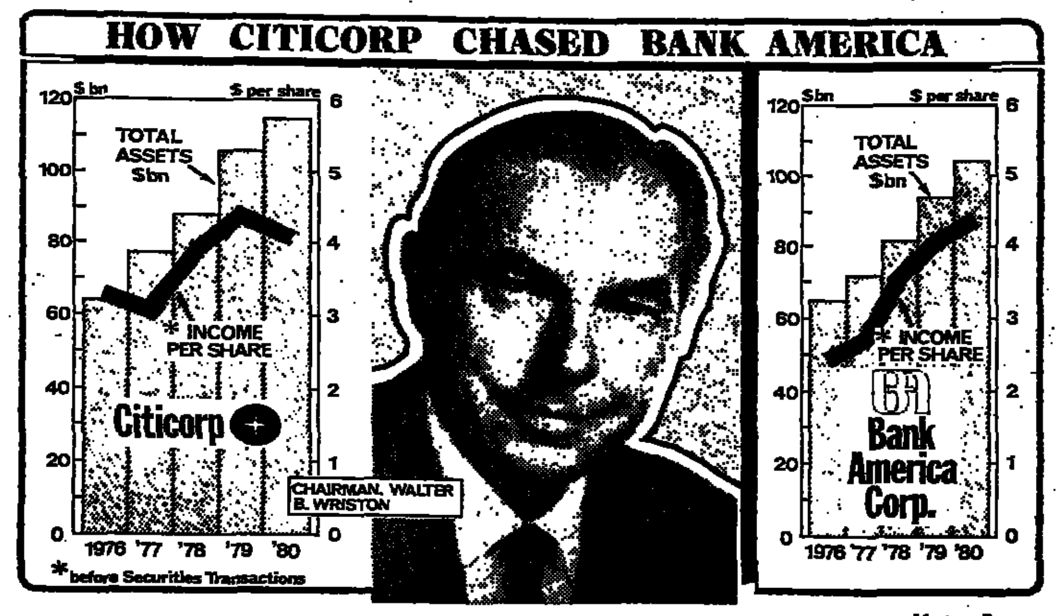
"We see ourselves covering the entire spectrum of individual banking needs," said John Reed, the youthful, hard-driving senior executive vice-president in charge of the bank's retail business.

The decision was taken at a time when interest rates were low and steady and no one could have foreseen the events of the last 12 months. However, Citicorp knew then that it would never be able to develop a nationwide branch network unless Congress abolished laws which prevent banks from opening branches in another state, and this has not happened, despite a relentless campaign by Citicorp lobbyists led by Wriston himself.

"It is typical of Citibank that it should take a business decision that will bring it up against a legal barrier. But [it] thinks it can get barriers dismantled," grumbled a competitor, recalling that only a year ago Citibank was ordered by the Federal Reserve Board to remove some electronic machines it had installed in Baltimore because they contravened the ban on inter-state banking.

Part of Citicorp's drive for consumer business included building up its credit card business; this is one way a bank can get round the inter-state banking ban. Three years ago, Citicorp sent out credit cards to millions of Americans all round the country, by far the biggest mailing of its kind by any bank. But the plan backfired, a lot of customers in far-flung places used up their credit limits and then waved Citicorp goodbye figuring, correctly, that they would be safe from pursuit. Because of the interest rate ceilings, Citicorp also had to fund credit card balances at a loss estimated to be $140m last year.

Citicorp's problems seemed to come to a head last month when George Vojta, the senior executive who forged Citicorp's long-term growth plan, resigned to join one of the country's leading metals trading companies. His departure is seen by many as a major loss. One Citibanker described him as the bank's "intellectual powerhouse."



Martyn Barnes

Hostile market

The news coincided with equally embarrassing revelations that Kuwait had withdrawn billions of dollars from the investment portfolio managed by Citibank because of its poor performance. A few days later, some local authority pension funds in New York pulled out of Citibank as well, for similar reasons.

The accumulation of all these problems may have made Citicorp a somewhat more cautious institution, however.

The bank's top executives say they have taken a number of steps to reduce its exposure to a hostile market. They are winding down the volume of fixed rate loans and being more choosy about the kind of people to whom they give credit cards. Reed estimates that it will take two years for these changes to work their way through.

The bank has also moved its credit card operation lock, stock and barrel to South Dakota to escape New York's lending laws (which have since been eased anyway). On the international scene, Citicorp is also trying to pull back from the syndicated loan business because of the narrowness of the spreads, and it hopes to bring foreign and domestic earnings into better balance, preferably by increasing the latter rather than shrinking the former.

The quest for growth, particularly in the retail business, remains, though. With its recent acquisition of Diners Club and its move into travellers cheques, the bank is gearing up to challenge American Express's dominance of the consumer financial service business. Citicorp hopes to open more retail branches in Europe and, of course throughout the U.S. if possible. Despite bank holding company laws which essentially confine banks to banking business, Citicorp is developing its computer operations into a data processing service to market to its customers worldwide.

But the various divisions within the bank are also being spurred on by a looming top level power struggle. Wriston is due to retire in three years and his successor is likely to be one of three senior executive vice presidents: Hans Angermueller, who handles legal and government affairs, John Reed, and Tom Theobald, who oversees the bank's institutional business.

As yet, it is an open race, but each contender's chances are bound to depend on how well their bits of the bank perform over the next year or two. And this in turn will depend heavily on whether or not U.S. interest rates go into a sustained decline which allows Citicorp to recover its earning power.

"Few banks have more riding on the success of the Reagan economic programme than Citi," said one analyst who predicted that the bank's earnings would "explode" if the President's package of tax and spending cuts really eases pressure in the financial markets. The stock market seems to understand this too. Citicorp shares have recently begun to show new signs of life.

LOMBARD

Pensions and the corporate state

BY ANATOLE KALETSKY

PENSIONS MANAGEMENT is not normally regarded as an intensely passionate vocation. But in recent weeks righteous indignation, wounded pride and other hot blooded emotions have overcome the pensions industry in the wake of a report on the preservation of pension rights published by the Occupational Pensions Board on June 24.

The reasons why "daylight robbery" is now a more or less standard description of Britain's pensions arrangements have been well aired in this and other newspapers. If a member of a private pension scheme changes his job he finds that the value of each pound that he has contributed to the pension fund is reduced to a small fraction of what it would have been worth if he had stayed in one job until retirement. Depending on age and salary, the losses can be quite spectacular—in excess of £100,000 in some cases. Since about one-tenth of pension scheme members leave their jobs every year, an awful lot of people suffer these losses sooner or later. The proceeds of the "robberies" are used to reduce the contributions paid by those employees who do not change jobs.

Straitjacket

In the wave of outrage, as the world has become acquainted with the apparent inequity and inefficiency of the system, the other side of the argument has been rather neglected. The OPB has called for legislation to force private pension schemes to "preserve" the rights of early leavers, but only up to arbitrary limits and for restricted groups of employees. More radical critics, taking the OPB's argument to its only possible logical conclusion, have demanded full preservation for all.

The pensions establishment, however, is fighting its rear-guard action on the argument that a pension scheme is a private arrangement between an employer and employee. Provided the conditions are clearly understood by both sides from the outset, there is no justification for the Government to impose its will on two freely contracting parties.

Why force a bureaucratic straitjacket on to what is, after all, the most important industry in the land, controlling as it does some 40 per cent of Britain's quoted companies? If people do not like the terms that their pension schemes offer, this is not the Government's business. They can use their own initiative to make better arrangements.

There is much to commend this argument, particularly to the present Government, with its free market outlook. But unfortunately it deliberately misleads on the most important point in the whole dispute over pensions.

For pensions are not voluntary arrangements between employers and employees. In almost all cases where a pension scheme exists, membership of it is a compulsory condition of service. Furthermore, the existence of pension schemes is not independent of government. The tax exemption which pension contributions and pension fund investments enjoy is the sine qua non of their existence.

The insistence that every employee must join a pension scheme is just as illiberal as, and can be a great deal more expensive than, the insistence that every employee must join a trade union which is written into some conditions of service. A government that was genuinely libertarian and intent on removing market distortions would make outlawing compulsory pension schemes at least as high a priority as outlawing union closed shops.

The Government would then either abolish all the tax privileges of pension funds, or offer anybody who chose to opt out of a company pension fund, the same tax relief on pensions savings as is now enjoyed by the self-employed.

Only a reform like this could remove at source the justifiable grievances that now exist against a system of forced savings which for many employees who intend to be mobile throughout their careers is clearly inefficient. Just as importantly, it would offer individuals the option of managing their own pensions investments, through the sort of unit trust schemes which many insurance companies now run for the self-employed. Nothing could possibly be more effective in giving people a direct and visible stake in capitalism and in lifting the dead hand of corporatism that has rested so heavily on the investment markets as on any of Britain's other markets in recent years.

Where no tail wags the politicians

BY ANTHONY MORETON

AROUND BRITAIN

ISLE OF MAN

MOST PEOPLE know that the Isle of Man is the home of the TT races and of the Manx cat, although few of them believe the cat has no tail.

Later this year, though, another fact may gain wider knowledge — that the island has its own parliament. For November 19 is election day, when the 24 seats in the House of Keys are all contested.

Although on a clear day it is possible from the north of the island to see England, Scotland and Northern Ireland simultaneously, the Isle of Man is not part of the United Kingdom. Its constitutional role is that of a crown dependency, owing allegiance directly to the Queen. This role stems from its purchase by the Crown in 1765 from the Lords of Man who had acquired it three-and-a-half centuries earlier from the English crown.

Because of its independence from London, the island to this day has its own legislature, its own laws and its own taxes. The writ of the British parliament cannot be exercised in the island though the links between Britain and the Isle of Man are both strong and close.

The Manxman is a strong-willed, perverse, somewhat Quixotic character and those characteristics are to be found both in his attitude towards politics and in his politicians. And it is these characteristics which will dominate the election campaign, which has already started and will be pursued with as much vigour as any politician in the UK would put into winning a seat.

Politics as understood in Britain hardly rear their head in the Isle of Man. Nearly every candidate, and there are expected to be about 70 in the election, will stand as an independent. This makes for a refreshing approach to subjects but can lead to great confusion in the administration of events because no one can be quite sure what will happen in the House of Keys or one of its committees until the vote has been taken. Even then, a member of the House — known as an MHK — may well change his or her mind on subsequent votes. And no one seems to mind.

The character of Manx politics may be illustrated by a debate on constitutional reform in Tynwald, of which more later, two years ago. Dr David Butler, Nuffield's psephological Parnassus, had been commissioned to look at the whole organisation of political life and make recommendations. One he advanced was that there should be single-member constituencies.

On June 20, 1979, Tynwald debated a two-part resolution which sought adherence to the principle of one man, one vote and that the Lieutenant Governor (the Queen's representative) should consider how to implement the proposal.

Tynwald threw out the first part but passed the second part of the motion. "The effect was thus unclear," is how the official report delicately put it. This is the stuff of which Ealing comedies were once made.

Such happenings can come about because most members are independents. There is a small Labour party which at the last election returned three members to the House of Keys.

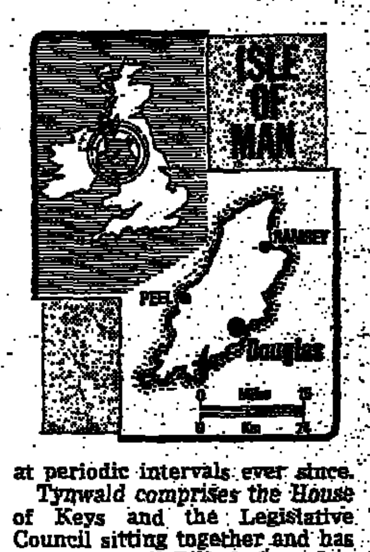
There is also a small nationalist vote though since the last election this has split and the nationalist influence appears to be waning.

The position and role of the 24-member House of Keys is not dissimilar to that of the Commons at Westminster. It is directly elected by the people and has control over money matters.

The Keys is not elected by single-member constituencies, as the 1979 debate showed. There are two constituencies which return three members, seven which return two members and just four which elect one member.

The second, or upper, tier of government is the Legislative Council. This comprises 10 members. Eight of these are elected by the House of Keys and it has become customary (though it is not mandatory) for the Keys to elect these from among its own members. This, of course, results in by-elections for the Keys since a member cannot sit in both houses at the same time. The other two members of the Council are the Bishop of Sodor and Man and the Attorney General, who although they attend in the capacity of their offices are full members.

Finally, there is Tynwald, a name and organisation which links the island with its past. Tynwald was established over 1,000 years ago at the time of Norse rule between 979 and 1266. The Vikings founded Tynwald, which has continued



at periodic intervals ever since.

Tynwald comprises the House of Keys and the Legislative Council sitting together and has to approve all Bills before they are sent to the Queen for royal assent. So it is possible for Tynwald to reject a Bill which both the Keys and Council have passed. Indeed, it happens. The politicians being independents they may, and do, change their minds between debate in one house or another and a Bill's arrival at Tynwald.

This unpredictability of Manx politics extends even further. Most of the detailed work is undertaken by committees, usually comprising five members of both houses.

It is not unknown for a committee to make a recommendation and then for the members of that committee not to back the recommendation when it comes to be discussed in the House of Keys or Legislative Council. And because there is no formal political structure it is frequently difficult to push through change.

Dr Butler had been asked to look at the structure of political representation. He recommended among other things there should be single-member constituencies and members should be elected by single transferrable vote, a form of proportional representation. It was generally accepted that he had produced a good report, but no one could agree on his proposals which, in consequence, all fell by the wayside.

Perhaps this was just as well because the Report of the Commission on the Representation of the People Acts frankly admitted that on most issues there was no evidence of discontent with the present position and there was no overwhelming desire for change.

That is not to say there has been no constitutional change in recent years. There has, but most of the ideas for change have also fallen by the wayside. That is the way of political life on the Isle of Man.

Lady Be Mine to show the way

RACING

BY DOMINIC WIGAN

LADY BE MINE, probably the best-looking three-year-old filly at at Warren Place, is at last beginning to fulfil Henry Cecil's expectations and looks a good bet at Newbury today.

The Sir Ivor bay, who probably disliked the soft ground when disappointing at Ascot in the spring, came good in spectacular style at Yarmouth recently after a long lay off.

Backed down to even money for the 13-runner Thurns Stakes on the east coast track, Lady Be Mine cruised into the lead a quarter of a mile out and won easily.

Thought to be a "group filly" in the making by Cecil, Lady Be Mine can follow up by outclassing the locally trained Sally Rose. Another lightly raced filly, Sally Rose had few problems against Quality of Mercy and ten others in a division of Salisbury's Pembroke Stakes on June 24.

Ian Balding has a high opinion of Mrs John McDougald's Free Press and this half-brother to five winners, including the high-class sprinter Parkdale, will probably be the one to beat in the Ecchinswell Maiden Stakes.

On the ante-post front, Shergar remains 5—2 on favourite for the King George VI and Queen Elizabeth Diamond Stakes, for which Master Willie is a 6—1 chance, with Pelerin and Light Cavalry both offered at 10—1.

There has predictably been little interest in Shergar, who may jump off at shorter odds than either Ribot or Troy, but Pelerin has come in for steady each-way support from ante-post backers.

Those considering a place bet will do well to remember that Henbit, the 1980 Derby winner, will be in the line-up provided that he comes through his exertions in Saturday's Royal Whip Stakes at the Curragh to Dick Hern's satisfaction.

At about the same time that Carson is renewing his association with Henbit, it is probable that only four or five will be competing for Ayr's mile and three furlongs Mecca Bookmakers' Scottish Derby.

The sponsors make Shotgun, Lester Piggott's Epsom Derby mount, an even-money chance and then bet 3—1 Six Mile Bottom, 7—2 Little Wolf, 14—1 Flighting, 16—1 Amal Naji and Brigadier Hawk, 50—1 More Harmony.

NEWBURY

2.00—Refreshment
2.30—Free Press*
3.00—Lady Be Mine***
3.30—Fly Baby
4.00—Spectacular Sky**
4.30—Dragon Place

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 10.55 Cricket: Third Test. 1.12 pm Regional News (except London). 1.15 News. 1.30 How Do You Do. 2.00 Golf. 4.18 Regional News (except London). 4.20 Play School. 4.45 Space Sentinels. 5.05 The Best of Horses Galore. 5.35 Paddington. 5.40 News. 5.55 Regional News. 6.20 Nationwide. 7.00 Comedy Classic: Dad's Army. 7.30 Comedy Classic: The Good Life. 8.00 Grace Kennedy. 8.30 Love Story. 9.00 News. 9.25 Prince Philip at his Awards Celebration: 25th anniversary of the Duke of Edinburgh's Award Scheme. 9.55 See Regions below for details. 10.25 Headlines. 10.30 International Athletics from Gateshead. 11.05 Film: "The Learning Tree."

All Regions as BBC 1 except as follows:—

BBC Cymru/Wales—1.30-1.45 pm Bys a Bawd. 5.05-5.10 The Perishers. 5.10-5.35 Ci O'r Enw Samson. 5.55-6.20 Wales Today. 7.00-7.30 Heddiw. 7.30-8.00 Croeso Yn Hong Kong. 8.00-8.30 Bellamy's Backyard Safari. 9.55-10.25 Week In Week Out. 10.25-News. 12.55 am Weather.

Scotland—9.50-9.55 am The Wombles. 9.55-10.10 Jackanory. †10.10-10.35 Champion the Wonder Horse. 10.35-10.55 Take Hart. 1.10-1.15 pm Scottish News. 5.55-6.20 Reporting Scotland. 9.55-10.25 The Beechgrove Garden. 10.25-10.30 News.

Northern Ireland—4.18-4.20 pm News. 5.55-6.20 Scene Around Six. 9.55-10.25 Lifelines. 10.25-10.30 News. 12.55 am News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Nationwide (London and South-East); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 9.55-10.25 East (Norwich) Weekend; London and South-East—Queen opens the Humber Bridge (details as North Regions below); Midlands (Birmingham) This Is . . . Tuxedo Bay; North (Leeds) Queen opens the Humber Bridge. Today the Queen officially opened the world's longest single-span suspension bridge. Eric Robson describes the ceremony; North-East (Newcastle) Phone In Now; North-West (Manchester) Music Scene—George Melly; South (Southampton) Bioscope Days; South-West (Plymouth) The Pondhoppers; West (Bristol) Wurzels.

BBC 2

6.40-7.55 am Open University. 11.00 Play School. 11.25 Golf. 1.25 pm Cricket and Golf. 6.35 Six Fifty-five Special. 7.25 News. 7.35 Gardeners' World. 8.00 Mozart: the Last Decade—Mass in C minor. 9.00 Call My Bluff. 9.30 Cricket. 9.35 Mozart. 10.45 Newsnight. 11.30 Golf. 12.10 am Outer Limits.

LONDON

9.30 am Bubblies. 9.35 Poetry of Landscape: Wordsworth. 9.50 Bailey's Bird. 10.15 This Majestic Bridge. 11.20 Nature of Things: Holy Week in Egypt. 11.45 Walt Disney Classic. 11.59 Handful of Songs. 12.10 pm One Upon a Time. 12.30 Super Savers. 1.00 News at One, plus FT Index. 1.20 Thames News. 1.30 Emmerdale Farm. 2.00 Houseparty. 2.25 Best Sellers: David Janssen in The Word. Watch It! 4.15 Hot Wheels. 4.45 Summer Time. 4.20 Adventures of Black Beauty. 4.45 Freetime. 5.15 Sale of the Century. 5.45 News. 6.00 Thames News. 6.30 Thames Sport. 7.00 Winner Takes All. 7.30 Survival Special. 8.30 Misfits. 9.00 Ladykillers. 10.00 News at Ten. 10.30 Police 5. 10.40 End of Part One. 11.10 Film: "Dr Jekyll And Sister Hyde." 12.55 am Personal Choice.

All IBA Regions as London except at the following times:—

ANGLIA

6.00 pm About Anglia. 7.00 Sale of the Century. 7.30 Survival Special. 10.30 WKRP in Cincinnati. 11.00 Members Only. 11.30 Film: "Benny and Barney: Las Vegas Undercover." 12.55 am Your Choice.

ATV

9.35 am Something Different. 9.50 Wild, Wild World of Animals. 11.20 Razzmatazz. 11.45 The Mad Canadian: Stock-car racing. 1.20 pm ATV News. 2.25 Best Sellers: Beggarman, Thief. 6.00 ATV Today. 10.30 WKRP in Cincinnati. 11.00 ATV News. 11.05 David Janssen—TV Superstar.

BORDER

9.25 am Who's Afraid of Opera? 9.50 Survival. 11.20 Razzmatazz. 11.45 Larry the Lamb. 1.20 pm Border News. 6.00 Lookaround. 6.30 Out of Town. 10.30 Summersport. 11.00 Soap. 11.30 Border News.

CHANNEL

1.20 pm Channel News. What's On Where. 6.00 Channel Report. 6.30 What's On Where. 6.35 A Taste of Hong Kong. 10.28 Channel News. 10.36 Film: "Where's Jack?" 12.40 am News and Weather in French.

GRAMPIAN

9.15 am First Thing. 9.20 Young Ramsay. 10.05 Cartoon. 11.20 Razzmatazz 11.40 Disney Classics. 1.20 pm North News. 2.25 Best Sellers: Beggarman, Thief. 6.00 Summer at Six, and Weather. 6.30 The Balmoral Connection. 10.30 Film: "Grip Of The Strangler," Boris Karloff, Jean Kelly, Elizabeth Allan. 11.55 North Headlines.

GRANADA

9.30 am A Big Country. 10.00 Comic Stories. 10.05 European Folk-tales. 10.30 A Week on Friday. 11.20 Razzmatazz. 11.45 Cartoon. 1.20 pm Granada Reports. 6.00 Granada Reports. 6.30 WKRP in Cincinnati. 10.30 A Week on Friday. 11.00 Soap. 11.30 Today Tonight. 11.40 For Adults Only.

HTV

9.50 am Razzmatazz. 11.20 Beachcombers. 11.45 Cartoons. 1.20 pm HTV News. 6.00 Report West. 6.30 WKRP in Cincinnati. 10.28 HTV News. 10.30 The West in Westminster. 11.05 Danger UXB. 12.05 am Weather.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Flatsbalam. 4.15-4.45 Legwm Truk. 6.00-6.15 Y Dydd. 6.15-6.30 Report Wales. 10.35-11.05 It's a Great Western Chorus.

SCOTTISH

9.50 am Portrait of a Village. 11.20 Razzmatazz. 11.45 Handful of Songs. 1.20 pm News. 6.00 Scotland Today. 6.30 WKRP in Cincinnati. 10.30 Ways and Means. 11.00 Film: "The Eyes Have It." 12.20 am Late Call.

SOUTHERN

9.35 am Untamed World. 10.00 European Folk-tales. 11.20 Razzmatazz. 11.45 Cartoon. 1.20 pm Southern News. 6.00 Day By Day. 6.30 Scene South-East (South-East Area only). 6.35 Three's Company. 10.35 Grand Hotel. 11.05 Sounds Soap. 11.35 Film: "The Innocent Man," Simone Signoret. 1.20 am Weather, Grow or Die.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 9.30 Untamed Frontier. 11.20 Razzmatazz. 11.45 Cartoon. 1.20 pm North-East News. Lookaround. 2.25 Film: "Dirty Money." Alain Delon, Catherine Deneuve. 4.15 Cartoon. 5.15 Clapperboard. 6.00 North-East News. 6.02 Showcase. 6.30 Northern Life. 10.30 North-East News. 10.32 Friday Live. 11.59 Welcome Back, Kotter. 12.30 am Countryside Christian.

ULSTER

11.20 am Adventures of Sir Edmund Hillary. 11.50 Cartoon. 1.20 pm Lunchtime. 2.25 Best Sellers: Beggarman, Thief. 4.13 Ulster News. 6.00 Good Evening Ulster. 6.30 Welcome Back, Kotter. 10.29 Weather. 10.30 Witness. 10.35 Mork and Mindy. 11.05 Golfing Greats. 11.35 Bodtime.

WESTWARD

9.15 am Sesame Street. 11.20 Vicky the Viking. 1.45 Cartoon. 11.55 Wattoo Wattoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News. 6.00 Westward Diary. 10.32 Westward News. 10.36 Film: "Where's Jack?" Stanley Baker, Tommy Steele. 12.40 am Faith For Life. 12.45 Weather, Shipping Forecast.

YORKSHIRE

9.30 am Larry the Lamb. 9.50 Amazing Years of Cinema. 11.20 Razzmatazz. 1.40 Cartoon. 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 6.00 Calendar. 10.30 Benson. 11.00 Film: "Shock Treatment," Annie Girardot, Alain Delon.

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Steve Wright. 4.30 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable. 7.30 Andy Peebles. 10.00 Friday Rock Show with Tommy Vance (S).

RADIO 2

5.00 am Steve Jones (S). 6.15 Pause for Thought. 7.30 Terry Wogan's Great British Open Sandwich (S). 8.23 Racing Bulletin. 8.45 Pause for Thought. 10.00 Gloria Hunniford (S). 11.59 John Dunn (S). 1.45 Sports Desk. 2.00 Jean Challis: Family Favourites (S); 2.45, 3.45 Sports Desk. 4.00 David Hamilton (S); 4.45 Sports Desk. 5.45 News; Sport. 6.00 David Symonds: Much More Music (S); 6.45 Sports Desk; 7.30 Cricket Desk. 8.00 Take Your Partners: Radio 2 Ballroom (S). 8.45 Friday Night Is Music Night, Coldstream Guards (S). 9.55 Sports Desk. 10.00 Grumbleweeds. 10.0 Bing Crosby Show. 11.02 Sports Desk. 11.05 Brian Matthew: Round Midnight. 11.59 News. 1.00 am Truckers' Hour, Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

Sports Desks with latest British Open Golf Championship scores at 11.02 am, 12.02 pm, 1.02, 8.02, and 9.02.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert. 9.00 News. 9.05 This Week's Composer: Beethoven (S). 9.56 BBC Scottish Symphony Orchestra concert (S) 10.55 Cricket: Third Test. 1.05 pm News. 1.10 Call the Commentators. 1.30 Lunchtime Scoreboard. 6.10 Mainly For Pleasure (S) (joining VHF). 6.55 Play It Again (S). 7.00 Third Opinion. 7.30 First Night of the Proms, direct from the Albert Hall (S). 8.30 Accusations, Secrets. 8.50 Proms '81 (S). 9.35 The Fourth Day Out From Santa Cruz. 9.55 Piano Duets recital (S) 11.00 News. 11.05-11.15 English Folk-songs.

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 8.59 Continental Travel Information. 9.00 News 9.05 Desert Island Discs (S). 9.45 Happy Returns. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News 11.05 The Spencers of Althorp: the story of the family of Lady Diana Spencer. 11.50 Natural Selection. 11.59 News. 12.02 pm You and Yours. 12.27 The Year in Question. 12.55 Weather; programme news. 1.00 World at One News. 1.40 Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour 3.00 News. 3.02 Afternoon Theatre (S). 4.05 Weigh-in: the facts and fallacies of dieting. 4.15 In the Gaslight's Glow. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Going Places, Continental Travel Information. 7.00 News. 7.05 Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 World Tonight News. 10.35 Week Ending (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Miles Kington with BBC Sound Archives recordings. 12.01 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star 10.03 Robbie Vincent Telephone Programme; 11.00 Your letters. 12.30 pm News. 12.40 Total Music Show 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 This Week. 7.03 Black Londoners. 8.00 As Radio 1. 10.05-5.00 am Join Radio 2.

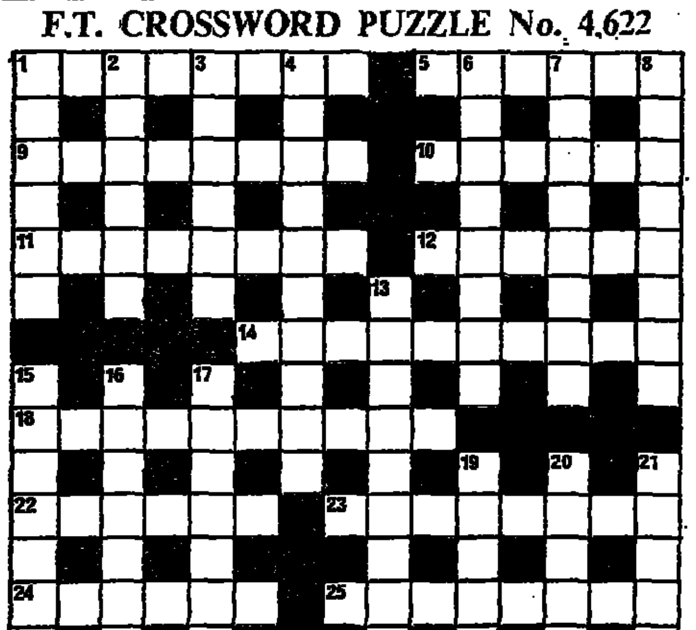
London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes: John Gribbin of New Scientist reviews the week's news 12.01 pm, 2.00, 4.00 LBC Reports. 7.00 London Life. 9.00 Nightline. 12.01 am LBC Reports. 12.30 Decision Makers. 1.00 Night Extra. 4.00 London Rules. 4.30 City Week. 5.00 Morning Music.

Capital Radio

4.00 am Early Show. 7.00 Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen. 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne. 10.30 Greg Edwards live from the Lyceum. 11.55 Midnight Special. 12.03 am Capital Nightcap.

F.T. CROSSWORD PUZZLE No. 4,622



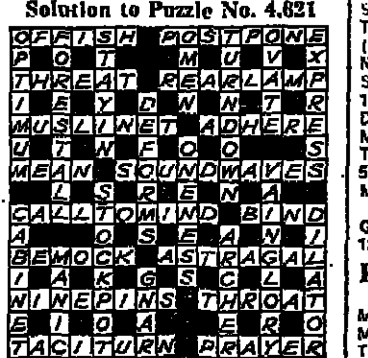
ACROSS

1 What changed hooter? The answer may be seen in hedges! (8)
5 Indian doctor with a bird (6)
9 Double credit for a child's watch (4-4)
10 Iron man and woman (6)
11 Observe man on board from end of telescope (3-5)
12 Kind of wig worn by Shakespearean character? (6)
14 Dazed and reeling from alcoholic beverage consumed (5-5)
18 Counterbalance to make amends for (10)
22 Number nine—may need an alteration (6)
23 Substantial material that can be felt (8)
24 One who cuts and stitches to join end to end with gold (6)
25 Getting hot and cold confection could produce internal disorder (4-4)
26 Old copper kitchen implement (6)
27 Dusty-miller tolerates Spike (5-3)

DOWN

1 Lone miner was mad with Alice (6)
2 Gate used by cricketers (6)
3 Empty talk but it gives a lift to aeronauts (3, 3)
4 Family hunt in meeting place (10)
6 Trample upon and annul (8)
7 A metal container, to this extent, contains a prickly plant (8)
8 Store Japanese liquor as a memento (8)
13 A daintily pleasing point of view, but it's less than square (5, 5)
15 Ship's company in halt—could it be connected with a bottle-neck? (5-3)
16 Nutty protein for a chap to eat (8)
17 Not to mention refraining from interference (3-5)
19 A soft fruit it would seem (6)
20 Shaped like an orange a dedicated person offered up (6)
21 Small body in space bumped into mixed ore (6)

Solution to Puzzle No. 4,621



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THE ARTS

Royal Shakespeare Theatre

A Midsummer Night's Dream by MICHAEL COVENEY

Joe Marcell and Mike Gwilym *Leonard Burt*

The Duke's palace is a splendid Victorian folly of cut-out pillars, receding clouds, red velvet curtains and potted palms. There are many exciting ideas in Ron Daniels's spirited revival, one of them perhaps being a reminder that Madame Vestris once played Oberon. Leaping to the end of the play, Theseus stands tentatively astride the on-stage footlights and comments darkly on the tricks of strong imagination: the same actor, Mike Gwilym, has played Oberon as though to demonstrate the seriousness of marriage vows to Hippolyta. She, in turn, is doubled by Juliet Stevenson, with Titania.

This wheeze, of course, dates back to Peter Brook's 1970 production by Ron Daniels but is not just in the imitation game. His fairy crew has sprung from a toy-box in the palace attic, in the shape of quite startling marionettes. They represent the bad magic in the play, the progeny of evils that has come from the top fairies' marital dissent. The Indian boy leads the marionettes and their black-garbed manipulators in "Ye Spotted Snakes." He is also a costumed flunkey in the palace.

The four lovers are also victims of manipulation in the forest—"You counterfeit, you puppet!" screams Helena at her wildly gesticulating rival, and another good joke slots neatly into place. As the dolls belong to Titania, Oberon is continually in trouble with them, but he gains the ascendancy through a black and chisel-featured Puck (Joe Marcell) who, like Pinocchio, seems to have acquired human form through being a good boy. At the end Oberon will be reconciled with the spooky, inanimate tribe by shaking hands with a tiny black prototype.

It is amazing how all this invention is devoid of tweeness. David Toguri's choreography sweeps through the action. The first time we meet the fairies they come swirling on in a streamer display. Another great moment is the masque-like reveille of Titania and Bottom in the Bower, the company spinning out as the orange dawn comes up and, Oberon's work done, descending quietly into the basket along with Bottom's gnarled and disconcerting donkey head.

After Mendelsohn and Britten it is always a risk to set the play to music but Stephen Oliver's Victoria pastiche score works beautifully, even if my visit to Glyndebourne last Friday has temporarily set my head buzzing with those gloriously inspired cadenzas for the Pyramus and Thisbe play.

The mechanicals assemble in a bare forest whose main features are a ladder and stairwell for Oberon and a twinkling bower for the seduction. Consulting the almanac about the weather seems a matter of more than usual urgency, as they are all decked out in sou'westers and umbrellas. Geoffrey Hutchings is a firm and enthusiastic Bottom who, along with Mike Gwilym, resolutely refuses to sing the part and reaps unexpected dividends in the account of his dream. There is no strident over-characterisation of the rustics but a reliance on such lovely touches as nobody remembering Snug the joiner's name (that pays off with an original punch-line on "Let not him that plays the lion" with a mid-phrase stutter).

The lovers' set-to is performed with real brio, the two lads (Simon Templeman and Philip Franks, both curly-headed blonds) squaring up according to the Marquess of Queensberry, and Helena and Hermia giving Harriet Walter and Jane Carr an opportunity to continue their marvellous partnership in *The Twin Rivals*. The quartet is fresh, funny and fast. You do not forget that scampering off to the forest is their way of flouting Victorian convention.

The design by Maria Bjornson is excellent, bursting with good costumes and, in all, a most original solution to the problem occasionally posed by this unkind stage. Two trap-doors are pressed tellingly into service, and displays of magic are confined, again to great effect, to Puck grabbing the flower out mid-air or one of the mechanicals' hats sailing right out over the auditorium before boomeranging back to base.

Royal College of Music

Ariadne on Naxos

by MAX LOPPERT

The end-of-term opera at the Royal College is *Ariadne*, given in the Tom Hammond translation. An operagoer of even minimal experience who encounters both this production (it runs until Saturday afternoon) and the current Glyndebourne revival should have not the slightest difficulty in "placing" both performances; their levels of attainment are distinct, and there is plenty of room for both kinds. Strauss wrote useful parts of all sizes in all vocal ranges, and only one of them, the tenor Bacchus, is unlikely to be comfortably cast from students. In theory, the opera ought to provide a suitable student assignment. It was therefore a surprise, on Wednesday, to be invited to notice quite so often how awkward it can prove for little-tried performers, and how swiftly the balance between the various components, comic and serious, light and dark, can falter.

There seemed to have been less than due consideration on the part of the producers. Tom Hawkes, normally so expert a hand with students, who had on this occasion laid a heavy weight of "routines" on the harlequinade (with the result that the singers kept slipping out of time) and an unfortunate manner of posing and posturing on the nymph trio (who waved their hands along with the music).

It was a kind of comedy at once genteel and broad that the *buffi*, and particularly Zerbinetta, had been asked to essay; the manner does much to tease out the latent vulgarity of their music, and too little to temper it. The conducting of Peter Gellhorn, though his slow speeds were preferable to an excess of rush and bustle in the Prologue, went rhythmically to sleep all too often; there were dozy stretches in the Opera. The work is played in an 18th century country house (of the "richest man in Vienna"?) which commands a mountainous distant prospect. Plumed headdresses and flounced robes did not sit easily on all equally.

We met on Wednesday the second of the two alternating casts—competent but unremarkable for the most part, but led by two more than promising singers of roles usually held to be the most taxing in the opera. Rosalind Roberts was Ariadne, placid of manner and feature but disclosing a well-formed soprano with some truly *strahlend* high sounds in it once she had warmed to the long phrases. And it was an unexpected pleasure to hear a firm and youthful Bacchus, Christopher Gillet. He will not wish to tackle the role in any theatre larger than the Parry; after the braying and the bawling to which Strauss's tenor writing is prey (and which on occasion it has seemed to merit), the keenly shaped, freshly produced tone worked here an act of vindication on the composer's behalf. Indeed, the final duet stirred to life in the way the "surefire" inventions earlier had not—strange experience of *Ariadne*!

Lyric Studio, Hammersmith

Blue Dot Disease by B. A. YOUNG

It was tactless of Richard Sparks (unless it was his co-author Peter Wilson) to speak lightly of medical students' revues, for the whole of *Blue Dot Disease* suggests a medical students' revue, and not a very inventive one at that. It's played by John Webb and Peter Wilson in the isolation wing of a hospital, where they suffer from the eponymous sickness, whose only symptoms are big blue dots on the face.

They have no point to make; they're just talking to amuse themselves. Their subjects are anything that will yield an easy joke — women's fiction, sperm counts, the Civil Service, debutantes, marriage, Eton, hypnosis, modern music, wartime romance, famous eccentrics. There's no vitriol in the formula, just puns, funny voices, simple misunderstandings, references to familiar facts of life.

Samples: "Who's Googie Withers?" "Everybody's does eventually." "Is all of that true?" "All except the majority of it." "It's a far cry from the fifth-form debating society to the House of Commons—no, it isn't." The audience liked best what was done with the funny accents, the mockery of debutantes, Etonians, singers.

No one could call it bad. It simply aims very low and hits the targets it sets itself with appropriate modesty. Mr Webb and Mr Wilson would be a wow at any medical students' revue, no doubt of that. For myself, I thought Mr Wilson's dressing-gown the best thing of the evening.

Musica nel chiostro

Adam Pollock, founder and director of "Musica nel chiostro," has announced the programme for this summer's festival, which—like its six predecessors—will be housed at Batignano, near Grosseto, in the romantically delapidated 18th century monastery which Pollock bought some years ago. From there, the organisation will also move to other parts of Tuscany for some performances.

The festival will open on July 24 with a performance of Mozart's *La finta semplice*, designed by Pollock, staged by Patrick Libby, and conducted by David Parry.

But the other Battignano production promises to be even more interesting. This will be a new version of Mozart's *Zaide*, an unfinished Singspiel which will be framed by a new text specially devised by Italo Calvino, the Italian writer who is also a neighbour of Pollock's and an enthusiastic supporter of the small, but stimulating festival.

Conducted by Jane Glover and designed by Chris Dyer, *Zaide* will be staged by Graham Vick and will open on August 2.

WILLIAM WEAVER

Cinema

It's not in the book by NIGEL ANDREWS

Quartet (A) Plaza, Gate Notting Hill, Screen on the Hill

Time Bandits (A) Plaza and ABCs Bayswater, Edgware Road and Fulham Road

Buster Keaton Festival Electric Cinema

One of the hazards of filming a novel is that novel-readers are a dangerous breed. They are quick to use the book to bash the film firmly over the head if they feel it has any shortcomings. This is a painful and not always just procedure, since the film-maker's aim may be not to reprise or reverence the original but to use it as a springboard for his own creation, his own vision.

But there are times—especially if odd creaks and groans and loose motivational floorboards abound in a novel-based film—when the book can reasonably be brought into court and waved at the judge as evidence in determining what went wrong. When I first saw *Quartet* in Cannes I hadn't read Jean Rhys's original novel, written in 1928, but something was clearly amiss with the film's machinery. Like an overwound clock it whirred and chattered in an odd, hiccoughy way, threatening any moment to give the terminal ping of expiry.

Isabelle Adjani, a dark-tressed waif afloat in 1920s Paris, was turning on prodigies of water-eyed histrionics (she won the Cannes Best Actress prize) in her love-hate relationship with Alan Bates and Maggie Smith, the snobbish English couple who adopt her (he with a wolfish eye, she with a predatory-curious) after her husband, an art trafficker, is hauled off to jail. But as Adjani raved and Bates and Smith batted aphorisms, the director-screenwriter team of James Ivory and Ruth Prawer Jhabvala (*Roseland*, *The Europeans* et al) were not making cinematic music. The comic scenes didn't mesh with the emotional, the characters floated on an ill-supporting sea of mannerisms, and the constant swaying between conversation-piece period satire and *louche* and loopy melodrama finally derailed the train altogether.

Since then I've read the book, and a scrutiny of the original blueprint helps one see where the Ivory-Jhabvala factory model went wrong. Rhys's story is a little masterpiece of emotional intricacy. Autobiographically inspired, it is both a fictional exorcism of her own unhappy love-affair with writer Ford Madox Ford — incarnated in the story as "Heidler," *depaysé* Englishman and a priggish wolf in dilettante's clothing — and a brilliantly painful *pas de quatre* over the heart's hot coals; whose roster of sinned-against-and-sinning characters is completed by Mrs Heidler, stoically conniving at her husband's adultery in the patient hope of catching him on the rebound, and by the heroine Marya's husband, glowering shaven-scalped between bars at prison visiting time.

Every crack, every interstice in Rhy's novel is filled with sweet-and-sour perceptions and rueful asides that give the characters — however puppet-like and predestined they seem on the surface, camouflaging their passions with protocol and *politesse* — an inner, edgy life. But in the film Ivory and Jhabvala have simply plonked down their mobile and mannered marionettes on the chess-board stage and choreographed proceedings like a vast imbroglio of the Absurd. Jean Rhys's *Quartet* comes less to mind than Iris Murdoch's *A Severed Head*.

When Maggie Smith is in full cry, or rather full drawl, as Mrs Heidler, this approach looks as if it might triumph in its own right. A frosty Amazon in page-boy haircut, Miss Smith swirls through the story with nasal elan, delivering lines and looks that kill. "Perhaps we can put Marya on the merry-go-round and watch her being banged about a bit," she says with airy, patrician disdain when the *menage à trois* contemplates a visit to Luna Park.

But if Smith can skate through on style alone, Alan Bates is doggedly at sea with the ambiguities of Heidler—primping a twilight-imperial moustache and alternating between sombre, slyboots lechery and daffy Englishness—and Isabelle Adjani, unforgettable as the blanched, marmoreal sylph of Herzog's *Nosferatu*, proves that the more acting she does the less her special star magic works. There's no human particularity in her Marya. She is an elemental, temperamental Nereid washed ashore in 1920s Paris from some Dante Gabriel Rossetti painting. And she's lit so ravishingly by Ivory throuhgout that misery never vitiates her beauty: rather, and against the spell of the tragedy, it heightens it.

As one expects from Ivory, the screen is often awash with lambent beauty of detail and decor. Art Deco design crawls like riotous ivy over the walls of cafes and restaurants, and 1920s Paris sparkles and tintinabulates in every clinked champagne glass and every *bon mot* dropped from a frightfully-bright conversation. But finally, *Quartet* is like the Lord Mayor's Show without the Lord Mayor. One waits anxiously and in vain for a *raison d'etre* in human form to come in and complete and validate the beguiling riot of mannerism, epigram and melodramatic *grand geste*.

Maggie Smith and Sheila Gish in 'Quartet

John Cleese as Robin Hood, an unctiously, hearty lank-shanks in Lincoln green, sallies out of his tent with patronising grin and a cheery chafe of the hands to welcome a band of new recruits: "Morning. You're all robbers, are you? Jolly good. Jolly good. Been robbers long, have you . . . . ?"

This brief glimpse of Fawlty Forest *circa* 1200 is the one God-sent chink of merriment-for-all-ages in *Time Bandits*; a Sci-Fi-for-children fantasy written by Monty Python's Terry Gilliam and Michael Palin and directed by Gilliam. Given a snappily zany starting-point a young boy, snugly tucked up in British suburbia, is suddenly whisked off one night into alien time-zones by a band of dwarves who have a map of the Universe's time-warps and jet about between centuries, looting the treasures and art-objects of history—the film gets stuck in a holding pattern of repetition and lame whimsy.

Guest stars gust through, attempting to impart gusto. Ian Holm is a Napoleon with a cod-French accent and a mournful obsession with his height (or lack of it): Shelley Duvall and Michael Palin are a pair of asinine lovers who crop up in different centuries (now in Sherwood Forest, now on the sinking Titanic): Peter Vaughan and Katherine Helmond (goofy-eyed Jessica from TV's *Soap*) are Mr and Mrs Ogre, a sea-going husband-and-wife cannibal team: Sean Connery is Agamemnon: and David Warner and Ralph Richardson pop up as the Devil and God respectively, the first wearing *Alien* hand-me-downs in spiky, scaly metal, the second in a dapper business suit as if straight from a City board meeting.

Like Gilliam's last directorial outing *Jabberwocky*, the film is designed with a snazzily varied surrealism: from the upturned, candle-topped colander one dwarf wears as a helmet to the vast, dark Piranesi-like castle of the last scenes. But at 110 minutes the film puffs around in ever-dwindling circles chasing its own elusive tail. With less time and perhaps more banditry, *Time Bandits* might have been an action-filled comedy-fantasy worthy of its grand clutch of tributary talents.

Buster Keaton, he of the straw boater and stone face, holds audience at the Electric Cinema from July 19 to August 18. All Keaton's major feature films are included in this special month-long season, plus all the shorts he made in the heyday 1920s for his own company.

The latter include the newly unearthed *The Love Nest*: a natty nautical impromptu wherein Buster finds himself at sea serving under a brutal Captain whose way of punishing miscreant deckhands is to toss them unceremoniously overboard, adding the thoughtful after-thought of a funeral wreath from a pile he keeps specially handy on the deck. Will our hero evade submersion? Will the despot of the briny get his come-uppance? The film, not seen on screens since its debut in 1929, is paced with a deadpan perfection typical of Keaton, right down to the final "pay-off" wherein the steepling tower of fantastical gags is neatly capsized in a twist ending. Piano accompaniment embellishes the season—book now while seats last.

Wigmore Hall plans

The Wigmore Hall, which has been run by the Arts Council since 1946 and is receiving a £91,000 grant for its 1981-82 season, announced plans for 400 concerts during the year yesterday. There will be six subscription series, offering purchasers of six or more tickets discounts of up to 20 per cent. They include a Russian series, a series of song recitals, master concerts and master classes, early music and baroque music.

The season starts with a recital by Galina Vishnevskaya, on September 2, and although the Wigmore Hall has a reputation for launching unknown artists more and more established names are appearing there. In 1981-82 Tito Gobbi, Elizabeth Schwarzkopf, and Elly Ameling are some of the artists booked and, among the new works there will be premières of David Blake, John Paynter, Gordon Crosse and Robert Simpson, as well as the British première of Anton Rubinstein's 4th piano concerto.

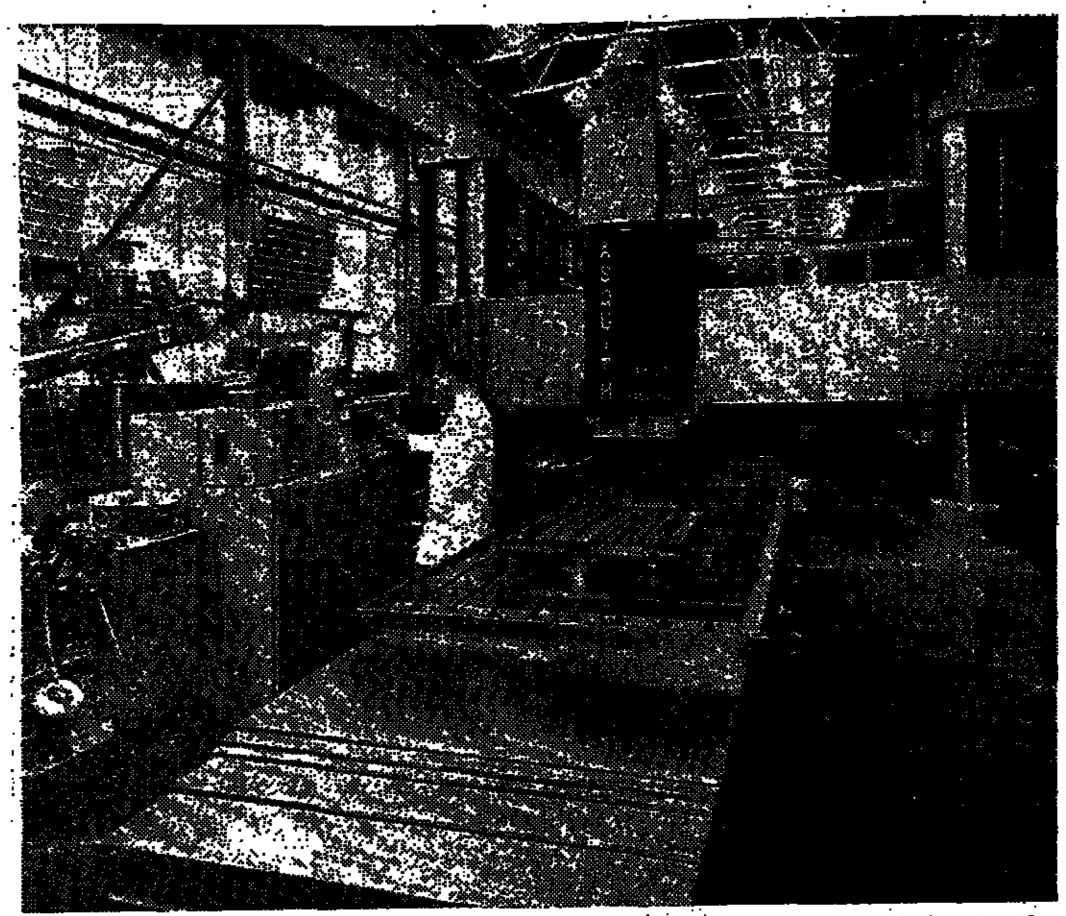
Sheffield post for Clare Venables

The trustees of the Crucible Theatre, Sheffield, have appointed Clare Venables as its director with effect from September 21 next. She has held the position of theatre director at Lincoln Theatre Royal, Manchester's Library and Forum theatres, and at the Theatre Royal Stratford East, London.

Over the past year Clare Venables has been working on a book on women in the arts, now nearing completion.

TECHNOLOGY

EDITED BY ALAN CANE



This vertical spindle bridge machine for milling, drilling and boring is one of the first major products to be offered by a new company, *William Asquith (1981)*. The company has been set up by four ex-directors of the Asquith Division of Staveley Machine Tools with financial assistance from County Bank. About 100 Staveley employees are to join the new company, which will carry on the business of the Staveley Asquith Division. This latest product, designated VNCT, can machine many kinds of components using modern coated carbide cutting tools. X-axis movement is produced by moving the table (up to 4,500 mm) and Y-axis by moving the spindle head across the bridge (up to 3,000 mm). Vertical movement of the cutting tool (Z-axis) is through 400 mm, although the whole bridge beam can be shifted up and down through 1,000 mm. Power available at the spindle is 22.5 kW, yielding a maximum spindle thrust of 3,000 kg-force. Spindle speeds are from five to 2,000 rpm. The Asquith VNCT is equipped with a GE 1050 computer numerical control system.

Saving fuel and spotting leaks

BY MAURICE SAMUELSON

LLOYDS BANK has installed new electronic temperature controls at 200 of its high street branches as part of the group's plan to cut its fuel consumption, currently costing £5m a year, by 10 per cent.

The 200 small and medium size branches have been fitted with control equipment designed by Tronicair International, an electronics company based at Kilsyth, Scotland.

Each installation costs £400 and Mr Sidney Malin, Lloyds Bank energy adviser, hopes the investment will pay for itself in three years.

The system, which Lloyds chose from a number of other alternatives, is the Caretaker 700+ comprising a control panel, an indoor electronic temperature detector and an outside weather sensor.

Simple to operate, the device enables hour by hour control within the day and setting for up to seven days in advance. It can be shut down for weekends and other holidays while at the same time giving protection against unexpected cold.

It is based on a heating load concept which continuously compares inside with outside temperatures and sheds the boiler load according to the weather.

A small control panel is operated by miniature rocker switches for programme selection, with separate banks of switches for working hours and days of the week.

Tronicair International says its use can achieve savings of between 25 and 40 per cent depending on the type of control it replaces.

A TEST chamber for measuring the draught and weather-proof qualities of new doors and windows has been developed by Schlegel (UK) Engineering, which claims it is the first of its kind which can record air infiltration at any point around a frame to highlight the exact source of a leak or draught.

The chamber is installed at Schlegel's UK headquarters at Henlow, Beds., and is available to makers of windows and doors at £80 a day.

Schlegel is a leading manufacturer of draught and weather-proofing materials. Based in New York, it operates in 16 countries, has a world-wide turnover of more than £100m and employs 2,500 people, 800 of them in the UK.

The test chamber consists of a fixed central panel which houses the unit being tested, and two large glass panelled, steel-reinforced, hinged doors which are held shut by pneumatic clamps. It can be pressurised or evacuated and the air or water infiltration measured, together with deflection of the frame. Wind speeds of up to 160 mph can be simulated, putting a five-ton load on the front panel.

● Schlegel was founded in 1885 in New York, and specialised initially in weaving the fringes for horse-drawn "surrey" traps.

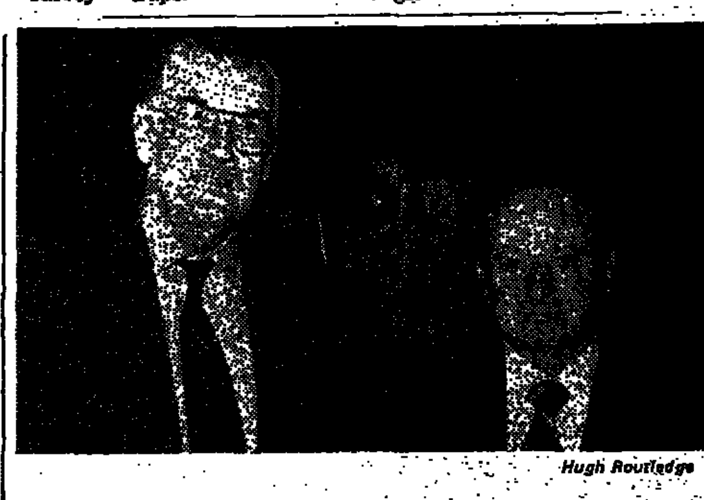
Schlegel: once a fringe maker for "Surrey" traps.

Elastomeric castings

THE INTRODUCTION of two liquid castable solid elastomeric (polyurethane) compounds promise savings in manufacturing and maintenance costs in a number of industries. Repairing worn or damaged abrasion-resistant linings for any wear surface, and potting compounds for cast urethane products, as examples.

Both cure at ambient temperatures by internal chemical reactions to yield high-quality, abrasion-resistant materials which bond tightly to a wide range of substrates, says Irathane International, 50 Worthing Road, Horsham, Sussex (Horsham 62183).

Relatively softer of the two compounds is Irathane 202 which has a cured tensile strength of 162 Kg/cm and can be elongated by as much as 450 per cent before rupture. Bonding powerfully to metal and poured to any required thickness, it is suggested for cast lining for valves, fittings, pipe spools and as linings for tailings and dredge pump castings.



Hugh Routledge

HENRY HOCKEIMER, President of the Ford Aerospace and Communications Corporation, was in London this week to present a model of Intelstat V to the Science Museum. The one-sixth scale model will go on permanent display in Exhibition Road—"an appropriate spot," said Mr Hockeimer, "bearing in mind that Englishman, Arthur Clarke, thought first of the fixed orbital satellite." Ford Aerospace is now into its fifth generation Intelstat with double the capacity of previous communication satellites. Presently, Intelstat V can handle, simultaneously, up to 12,000 telephone conversations and two colour TV transmissions. Intelstat V weighs 4,300 lb, is 21 ft high and its wing-like solar panels reach out more than 50 ft. Mr Hockeimer (right), is seen with Mr. Sam Toy, chairman, Ford UK.

Ticketing

SOFTWARE, microcircuits and miniature printing technology all feature in a design of bus ticket dispenser unveiled by Control Systems of Uxbridge—leaving far behind the days of the clippie's bell or the turned handle.

Autofare 3, which can be driver operated, is controlled by a microprocessor and can be programmed to suit each bus operator's requirements.

Having "signed on" with the machine by pressing the right buttons, the driver can then issue the 10 most popular fares on each route by pressing a single key on his keyboard.

But a wider range of fares can be selected by overriding the rapid issue mode in one of two ways. On entering the class and destination stage, the fare value is retrieved from the electronic look-up tables and printed on the issued ticket. Alternatively, by keying in the class and requested fare value, the *corresponding destination stage* number appears on the ticket.

Flexibility is the keynote of Autofare 3. It can capture details of all the transactions in its memory and produce a comprehensive waybill on demand at the touch of a button. Faretable revisions can be programmed in advance and called up when required on the printer. Cash collected can be reconciled against the total of transactions values which is securely maintained in memory.

The stored data for the day can also be transferred on to magnetic tape or into solid state store, or can be fed straight into a computer via a socket.

Other devices such as bus pass readers and fare boxes can be interfaced as required.

The ticket printed by Autofare 3 amounts to a complete receipt for the amount of travel purchased: it shows time, date, machine and ticket serial number, boarding stage number, class, fare and the destination name. The driver's keyboard unit has a display which shows boarding point, class, destination and fare due.

More from Control Systems on 0895 51255.

Semi-conductors

WHEN Plessey Semiconductors acquired a Mitel licence for the ISO-CMOS low power "semi-custom built" integrated circuit technology in 1980 and GEC's Marconi Electronic Devices did the same thing early this year, a dual-sourcing situation was born which this week has been cemented by a formal agreement between the two companies.

The agreement, however, unique in any event for UK companies like these, goes beyond mere formal second sourcing arrangements. Both companies have been planning to move towards similar goals—denser and denser circuits consuming less and less power per gate—and there was clearly a prospect that their products would soon become incompatible. So they will co-operate technically on a basis that is formal enough to keep their processes and products in line.

Without doubt though, British Telecom has been acting behind the scenes to bring the agreement about: its long established *practice is to demand at least* two identical sources for this kind of component—and telecommunications devices such as codecs (analogue to digital converters) will become big business in the next decade.

Laser scan

STERILISED MEDICAL products, filtering materials and other non-woven products can be inspected for consistency and for flaws suchs as holes and wrinkles, thin spots or fibrous clumps using a new laser scanning system from Intec.

At optimum speeds this Intec 5000 machine can see flaws down to 0.001 inch in diameter. Thus, costly finishing of poor quality product can be avoided and slitting operations can be optimised.

A scanner sweeps a laser beam across the web of material about 5000 times each second and an optical receiver collects transmitted light. The resulting signals, in conjunction with scanning signal data enables both the nature and location of the defects to be determined. A printer shows exact flaw location for product grading. More from Intec Europe, Avenue Paul Hyams, 105, bte 22, 1200 Brussels, Belgium.

Data capture

A SYSTEM called Midax introduced by Data Translation of Slough will perform both data acquisition and control "at a fraction of the cost of competitive systems."

It can be supplied as an integrated set of printed circuit boards or as a boxed unit and will find application in data logging, process control, energy management, test and measurement, geophysical exploration and laboratory measurement.

When used as a stand-alone system, Midax can be pre-programmed for a variety of data handling and control tasks. Software routines available include various programs for analogue and digital input and output; counting, timing and waveform generation; and a series of utilities for handling input/output devices such as terminals, disc drives and printers. More on 06286 36608.

FINANCIAL TIMES SURVEY

Friday July 17 1981

Yugoslavia

Yugoslavia's top political leadership—the eight-man collective state praesidium—made up of one representative from each of the country's six republics and two autonomous provinces. The presidency of the praesidium is rotated annually. The current State President is Mr Sergej Kraigher of Slovenia (top left). He will be followed next May by Mr Petar Stambolic of Serbia, the current Vice-president (second from left). The other members are, left to right, top row: Dr Vladimir Bakaric (Croatia), Mr Vidoje Zarkovic (Montenegro); bottom row: Mr Fadilj Hodza (Kosovo), Mr Stevan Doronjski (Vojvodina), Mr Cvijetin Mijatovic (Bosnia) and Mr Lazar Kolisevski (Macedonia). In addition, the military are represented by Gen. Ivan Dolnicar from Slovenia, who is Secretary-General.

The collective leadership is 18 months into the task of maintaining the country's unity and prosperity in the post-Tito era. A pressing need is to gain control of the inflation-hit economy while forging long-term economic policies which will be appropriate to Yugoslavia's own brand of socialism. Equally of concern is the outbreak of violent nationalist feeling in the Serbian province of Kosovo.

CONTENTS

Kosovo brings risk to unity

By Anthony Robinson

THE CREATION of a modern, Federal, Socialist and non-aligned Yugoslav state by President Tito and the Yugoslav League of Communists was arguably one of the most remarkable political achievements of the 20th century.

For 35 years Yugoslavia succeeded where the Hapsburg Empire ultimately failed, by welding together 18 ethnic groups into a coherent political whole whose sum was much greater than the parts.

Maintaining the unity, prosperity and independence of Yugoslavia has taken on a new dimension with the death last year of Tito, the founding father, and the man who by the end of his long reign had come to be described variously as "the last of the Hapsburgs" or "the first Communist monarch."

But President Tito was not a monarch and he left no dynasty behind him. What he did leave was a powerful political myth and a complex system of collective leadership in the top party, republican and federal government organs.

Over the past 18 months Yugoslavia's collective leadership and the 22m ordinary Yugoslavs have taken over full responsibility for running Yugoslavia's affairs. They have also inherited a series of problems which have always been present but in many ways have become more acute in recent months.

The most spectacular problem is that posed by the outbreak of violent nationalist and irridentist feeling in Kosovo, the mainly Albanian-speaking autonomous province of Serbia. What began last March as a student revolt against poor living conditions at Pristina University soon developed into a full-blown nationalist demonstration with demands for Kosovo to become a fully-fledged republic and so break the "thousand-year link" with Serbia.

Foreigners and many Yugoslavs have been puzzled by the apparent irrationality of some aspects of the Kosovan revolt, and particularly the strength of attraction exerted by the hard-line Stalinist regime of Enver Hoxha in neighbouring Albania. Others have been deeply worried by the wider implications of what is seen as a challenge to the unity of Yugoslavia.

For years the richer of Yugoslavia's six republics and two autonomous provinces have poured funds into Kosovo. Ethnic Albanians predominate in the local government and party apparatus. a brand new university with tuition in Albanian has sprung up and highly-symbolic concessions such as the right to fly the two-headed black eagle of Albania flag have been granted.

Living standards also sharply improved as the influx of funds helped to make good at least part of the cultural and economic backwardness left by 500 years of Turkish rule.

Now, however, Yugoslavs are having to come to terms with the fact that the sort of economic development which has taken place in Kosovo has not been either sufficient or well directed enough to satisfy the deeper aspirations of a rapidly increasing population which feels itself significantly different from the Slavs who make up the bulk of the Yugoslav population.

What makes the Kosovan situation so pregnant with difficulty is the fact that historically Kosovo is seen by Serbs as the heartland of the old Serbian kingdom. The 8m Serbs in Yugoslavia make up the largest single ethnic group and traditionally predominate in both the armed forces and the police. Serb domination in the pre-war Kingdom of Yugoslavia was a major source of the bitterness and frustration which erupted with such ferocity during the last war.

Principle

This traditional Serb dominance was reduced in post-war Yugoslavia by the institutional device of hiving off two Serb provinces, Kosovo and the Vojvodina, and giving them autonomous province status. As such they each have their share of seats in the various collective leadership bodies which are equally shared on the principle of equal representation for each of the republics and provinces, irrespective of their population or wealth.

Acceptance of this principle has meant acceptance of a diminished role for the Serbs in the wider interests of Yugoslav unity. By and large the arrangement has worked well and over the past 35 years considerable progress has been made in creating a sense of Yugoslav national unity and identity. This has not prevented outbreaks of nationalist feeling from time to time, particularly in Croatia. Until now such outbreaks have been controlled and defused. But the risk implicit in the outbreak of Kosovan nationalism is that of inflaming Serb nationalist feeling and, once aroused, this could have repercussions throughout Yugoslavia.

So far there has been little sign of this worst-case scenario developing. But keen awareness of the implicit dangers helps to explain the draconian policies which have been applied in the province which has been virtually sealed off from the rest of Yugoslavia. The local government and party leaderships have been purged, the university temporarily closed down and more than 1,000 suspected nationalists have been arrested and face trial. Significantly mainly Slovene and Croat police have been drafted in to replace Serbs and a major rethink of future economic strategy and policies towards the province is under way.

Many Yugoslavs are uncomfortably aware that there are no easy or quick solutions to the Kosovan problem which is likely to bedevil Yugoslav politics for a long time. There is also the additional complication that demands for the creation of a Greater Albania, including sizable Albanian minorities in Montenegro and Macedonia, could complicate relations with neighbouring Bulgaria which has a long-standing territorial claim on large parts of Macedonia.

Developments in Kosovo have served to highlight the fact that maintaining Yugoslavia's territorial integrity is the sine qua non of Yugoslavia's continuing existence as a viable independent state.

But retaining Yugoslavia's economic vitality is of equal importance and here too post-Tito Yugoslavia is having to face many deep-rooted problems. Some, like the negative effect of higher oil prices, are universally shared. Some are highly specific to Yugoslavia, and its unique form of self-management socialism and regional devolution of power.

High inflation and high unemployment have accompanied high investment and high growth ever since the major economic reforms of 1965 which ushered in a new phase in Yugoslav market socialism. Over the past two years however inflation took off and is currently running at over 50 per cent annually.

This is due to a combination of factors including high spending by the defence establishment and the various local bureaucracies and higher oil and other imported goods prices exacerbated by massive devaluation of the dinar. Other causes include the inability to control high investment outlays and the fragmentation of the Yugoslav market on Republican lines which has accompanied the devolution of political power. It is also due to fundamental indecision about the kind of economic policies to be pursued between partisans of central controls and administrative prices and those advocating a freer play of market forces.

Resources

Part of the recent upsurge in prices was caused by the deregulation of food and energy prices after years of price controls and artificially low prices. This has been instrumental in shifting resources to the farming and energy sectors and cutting real incomes by around 10 per cent. But self-managing enterprises, faced with sharply higher costs, have tended to raise their own prices rather than increase their efficiency to compensate. All this has forced a change of course back to central control on food and other prices in recent weeks.

The net effect of all this has been to reduce drastically Yugoslavia's international competitiveness, especially on Western markets. This has been partially compensated for by devaluation of the dinar and some government success in seeking more exports to cut a worrying balance of payments deficit. In 1980 the deficit was cut to just over $2bn from an unsustainable $3.7bn in 1979 — but there are grave doubts whether this improvement can be sustained.

So far loss of competitivity on Western markets has been compensated for by a massive expansion of trade with the Comecon countries and especially the Soviet Union which supplies half the 12m tons of oil Yugoslavia imports to supplement its own 4m tons of domestic production. Mr Zvone Dragan, Deputy Prime Minister, recently revealed that Yugoslav trade with Eastern Europe rose by an unprecedented 55 per cent over the first five months of this year following a similar increase in 1980. Exports to Western markets meanwhile fell sharply so that Yugoslav exports only covered one-third of the Western import bill, despite a sharp fall in machinery and other imports from the OECD countries.

Mr Dragan warned of difficult consequences if these trends persisted. He did not specify what these were, but he did not have to. Yugoslavia's trade with the Soviet bloc has reached a level which gives the Soviet Union considerable political and economic leverage, should it ever desire to use it. At the same time declining exports to the West mean that Yugoslavia's ability to modernise its economy by importing modern Western plant and know-how has been reduced. Unchecked, these developments could draw Yugoslavia back into the Soviet sphere of influence despite the political will to maintain the country's independence and non-alignment.

The ultimate responsibility for Yugoslavia's political direction at present lies with the League of Communists, the sole permitted political party which, like so many Yugoslav

CONTINUED ON PAGE III

Alarm at prospect of runaway inflation

ECONOMY
ANTHONY ROBINSON

THE YUGOSLAV economy is passing through a period of considerable turbulence. Politicians and managers alike are struggling *to come to terms with an economy* which expanded fast through heavy investment in the 1970s but is suffering from low productivity, high inflation and considerable uncertainty about the future.

The most obvious sign that something is badly wrong with the economy can be seen in the inflation rate. Retail prices over the first four months of the year jumped by *no less than* 48 per cent and the cost of living index by 41 per cent.

Seriously alarmed by the prospect of almost Latin American style inflation, the Federal Government *moved in to introduce* new legally binding restrictions on prices with the aim of cutting back the annual rate of inflation to 32 per cent, just below last year's annualised rate of 36 per cent.

Optimists tend to view the sharp acceleration in prices over the last 18 months as essentially a once and for all re-adjustment of prices after several years of artificially imposed price restraint and price distortions. Partial de-regulation of energy prices and higher agricultural producer prices played a major role in the overall inflationary picture. But this is seen as a necessary part of the long term economic strategy of increasing output both of domestically produced energy and turning the farming sector into a substantial net exporter.

Some respected economists like Professor Alexander Bajt of Ljubljana, see the most positive element in an otherwise rather depressing picture as the fact that the sharp rise in inflation was accompanied by a 7 per cent drop in real incomes last year and a shift in resources generally away from private incomes and government towards enterprises and farms.

According to Professor Bajt and other economic analysts, this drop in real incomes was *long overdue as for years* Yugoslavs have been paying themselves much more than they earned.

This is most clearly evident in the recurring balance of payments deficits which rose to *$3.7bn in 1979 and set off the* alarm bells which woke many Yugoslavs up to the fact that rapid economic growth accompanied by declining exports and rising imports was unsustainable. Yugoslavia's net foreign debt at the end of last year amounted to around $17bn and is expected to rise further to around $19bn this year.

The debt profile has been substantially restructured over the past 18 months and a three-year $2bn loan from the IMF in February this year has also helped to consolidate the overall debt framework.

Efficiency

Even so, it is now widely realised that the accumulation of more debt is no answer to Yugoslavia's economic problems. What is needed instead is a much more export-orientated structure with enterprises being forced to increase their efficiency by competing effectively on Western as well as the more accommodating Comecon markets of Eastern Europe.

Last year, Yugoslavia managed to cut back the overall balance of payments deficit from $3.7bn to just over $2bn and hopes to cut it back further to around $1.8bn this year and to $1bn by 1985, the end of the *new five-year plan period.*

The domestic economy in the 1980s is planned to grow by roughly half the rate it grew in the later part of the 1970s. This, together with tighter controls on investment, is expected *to reduce the strong demand* for imported plant and machinery which has made Yugoslavia such an attractive market for Western exporters in recent years. Despite high investment rates the average efficiency of such investment was only around 50 per cent of what could theoretically be expected.

Devolution of political power to the various republics, independence of the self-managing enterprises and a heavily negative real rate of interest on borrowed money, all contributed to this excessive overall investment rate which was *accompanied both by duplication of* investment and fragmentation of the domestic market.

At the same time, this pattern of development, based heavily on imported plant and machinery, has left the economy with a high import dependency *requiring substantial imports of* components and semi-manufactures on top of a rising energy and raw materials bill.

This is reflected in the highly unsatisfactory pattern of foreign trade. Yugoslav products, many made on Western machines or based on Western models and patents, are seen as relatively high quality products throughout Eastern Europe.

The Soviet Union, is Yugoslavia's largest single export market, and in many cases the Soviets appear to consider Yugoslavia as the source of many manufactured and consumer items which would otherwise have to be imported for hard currency from the West.

For political reasons too, the Soviet Union has been willing to increase supplies of Soviet *oil, gas and other raw materials* as well as trucks and industrial plant. This willingness to allow trade to grow on a balanced two-way basis is in marked contrast to the situation of Western markets, where Yugoslavia has found it increasingly difficult *to sell its products.*

The temptation facing Yugoslav enterprises is to take advantage of the relatively high prices and easier terms offered by Soviet and other Comecon customers and neglect the much more demanding Western markets. The trade statistics indicate that this process is indeed at work. The risk however is that lower imports of investment goods from the West, because of lower hard currency earnings, will gradually reduce the overall efficiency of the economy unless greater use can be made of the investments already made and much greater selectivity is applied to future purchases.

Despite the current serious problems besetting the Yugoslav economy however, the longer term prospects are not necessarily bleak. There is now far greater awareness at all levels of the need for drastic action to hold down prices, curb investment and above all shift resources into export-orientated or import substitution projects.

Higher energy prices are already cutting back wasteful use of energy while stimulating investment in the country's considerable coal, lignite, hydro-electric and other domestic energy sources. Promising oil and gas discoveries have been made both on land in Pannonia and offshore in the Adriatic. Yugoslav enterprises have also won some major contracts from their *major oil suppliers* such as a $570m turnkey project for the construction of a power station in Iraq recently announced by Hidrogradnja and the $143m contract won by Energoproject to build apartments and office blocks in Baghdad.

At the same time development of Yugoslavia's agriculture potential is also a major priority in the new five year plan. Yugoslavia has already made considerable strides in increasing yields of major crops.

It has become an exporter of high-yielding hybrid maize seed and is also gaining a good reputation in third world countries which are seeking Yugoslav technical assistance in *setting up agro-industrial* combinates on lines already successfully operated in many areas of Yugoslavia.

By the end of the five year plan Yugoslavia expects to be a net exporter of agricultural products.

To help achieve this aim the Zagreb-based International *Investment Corporation for* Yugoslavia (IICY) and its dynamic managing director Djuro Martinovic are especially interested in hiring Western agricultural experts to give technical advice in the development of the freezing and food processing sector. Yugoslavia's bitter experience with its baby-beef exports to the EEC market has made it deeply aware of the need to secure markets for agricultural products and improve packaging and general marketing techniques.

Other potential growth areas for hard currency earnings include tourism and transport services. Both have higher priority in the new five year plan.

Terry Kirk

Main street, Dubrovnik, the medieval walled city-port on the Dalmation coast which is also an international conference centre

BALANCE OF PAYMENTS
($m)

	1977	1978	1979	1980
Trade balance	—4,380	—4,317	—7,225	—6,086
Exports, fob	5,254	5,671	6,794	8,978
Imports, cif	—9,634	—9,988	—14,019	—15,064
Services and private transfers	2,798	3,061	3,564	3,795
Transportation	568	585	731	832
Foreign travel	751	930	1,028	1,370
Investment income	—258	—300	—633	—1,084
Private transfers and workers' remittances	1,427	1,745	1,710	1,539
Other services	310	101	728	1,138
Official transfers	—	—	—	—
Current balance	—1,582	—1,256	—3,661	—2,291

Source: OECD

Jump in exports to Comecon countries

FOREIGN TRADE
ALEKSANDR LEBL

THE GOOD NEWS about Yugoslavia's balance of payments is that last year the overall deficit was reduced to $2.3bn from $3.7bn in 1979 and that the stabilisation, or possible fall, in oil prices should make it possible to cut the deficit below $2bn this year. That said, however, *the rest of the news is* fairly bleak.

Over the first four months of *this year export receipts were* sufficient to pay for 57 per cent of Yugoslavia's imports, compared with only 54 per cent in the same period a year ago before the 30 per cent devaluation of the dinar last June and the so-called "stabilisation plan" came into effect. However, this modest improvement, paid for in part by a 7 per cent drop in *real incomes and a sharp* decline in overall economic growth, is neither sufficient to restore balance to the economy, nor indicative of any real underlying improvement in the health of the Yugoslav *economy.*

Furthermore, a closer look at the pattern of Yugoslav foreign trade reveals some disturbing developments. Over the first four months of this year, for example, Yugoslav exports to the OECD countries slumped dramatically so that exports only covered 33 per cent of a reduced volume of trade compared with *a 41 per cent* coverage in the same period of last year.

Trade with Comecon in general and the Soviet Union in particular grew dramatically, however. Massive Soviet pur*chases of* industrial, farming and consumer goods more than allowed Yugoslavia to compensate for higher oil and gas prices. *The result was that* Yugoslavia actually realised a small surplus on a higher volume of trade with Comecon. What this amounts to is a significant shift in the overall balance of Yugoslavia's foreign *trade.*

Exports to the West have been reduced to 32 per cent of the total, which is over 10 percentage points less than a year ago, while exports to Comecon now represent over 51 per cent or 12 percentage points more than a year ago. The share of developing countries' was slightly reduced to 17 per cent, from 18.5 per cent. On the import side however the share of the West stood at 55 per cent, only one percentage point less while the Comecon share and that of developing countries remain about the same as it was in January-April 1980.

Dependence

This situation worries the Yugoslavs and Western observers also voice concern about the growing Yugoslav dependence on Comecon. The Yugoslavs have been more *worried about* the economic than the political consequences, which does not mean to say that they have not been aware of the possible political implications as well.

The Comecon markets are *easier to penetrate because they* do not put the same stringent requirements on quality, design and back-up services. They are also prepared to pay higher prices. This means that Yugoslav manufacturers who supply them are not motivated to improve the quality of their products or their productivity, which in the long run is *economically dangerous. Higher* prices achieved in Comecon markets also distort Yugoslav terms of trade and give a false *sense of security.*

It must be said however that trading with the East, and especially with the Soviet Union also has some real advantages.

Yugoslavia obtains over 4m tons of crude oil, gas, coke, raw materials, machine tools, trucks and other equipment, for which it would otherwise have to pay hard currency.

The art of trading with the East consists in finding the optimal share consistent with other political and economic objectives. Whether or not it will always be possible to keep *to that depends not only on* Yugoslavia but on its Western trading partners as well.

Although the ratio of exports to imports somewhat improved (57 per cent against 54 per cent) the level achieved has not been sufficient. At least two-thirds of imports should be paid for through exports in order to remove the constant fear of a sudden drop in workers' remittances or other invisible earnings. That, however, does not *seem realistic for* the time being.

Exports have been very diffi*cult to boost because of high* domestic demand, high costs, recession in the developed countries and rising protectionism. Yugoslavs have been disappointed by the attitude of the EEC, and especially of France.

Concession

Before the entry of Greece *into the Common Market*, Yugoslavia exported some 40,000 tons of meat and other agricultural products to its southern neighbour. The European Commission proposed a 30,000-ton increase in Yugoslavia's present EEC export quota of 34,800 tons of baby beef in order partially to take account of this element in Yugoslavia's foreign trade. France, backed by Ireland, has argued strongly against such a concession and has proposed to raise the quota by a mere 3,000 tons instead.

Yugoslav officials make no bones of their dismay at this kind of attitude which makes a mockery of all the expressions of goodwill towards Yugoslavia *made by the Commission* and, indeed, of the five-year agreement with the EEC which was signed last year, which ostensibly gives Yugoslavia favourable terms of entry for a wide range of both farming and *industrial* products.

Yugoslav trade officials freely admit at the same time that part of Yugoslavia's trade difficulties with the EEC countries *is due to Yugoslav weaknesses* in terms of quality, delivery times and marketing. Recently the Federal Government decided to try and improve its competitivity on hard currency markets by allocating YD 14bn *(around £200m) to export sub*sidies. It proposed cutting the budgets of the constituent Republics by 2.35 per cent to finance this move.

Apart from boosting exports, the authorities are also trying *to cut imports. Consumer goods* have been the first victim. They now represent a bare 5 per cent of total imports. The aim of halving imports of equipment has not been attained but their share of imports has fallen from 23 per cent to under 20 per cent.

The Federal government will shortly announce new import curbs which will hit equipment hardest. The slower rates of growth planned for this year should also contribute towards reduced imports of some raw and intermediate materials, by volume if not by value. Un*changed crude oil prices will* have their favourable effects, unlike last year, when oil imports cost an additional $1bn.

Yugoslavia is looking earnestly for new forms of economic co-operation, such as joint ventures with Western firms in developing countries as a means of earning more foreign exchange. Working *groups have been appointed* to study these matters and several Western partners have submitted their remarks and proposals. The first piece of legislation to be changed as a result is the Patent Act, which is due to be approved in its new version by the Federal parliament shortly.

Meanwhile an exchange rate policy decision has been taken to maintain a realistic exchange rate for the Yugoslav currency after its devaluation in June, 1980. This means that there should be a steady downwards float to compensate for inflation. The value of the dollar against the Yugoslav dinar went up some 52 per cent in 1980 and another 14 per cent over the first five months of this year.

High balance of payments deficits have meant growing foreign indebtedness which by the end of 1980 reached about $17bn. With new *borrowings* planned for this year this soon will increase to about $19bn by the end of the year. Debt servicing will require about 22 per cent of foreign exchange earnings.

IMPORTS AND EXPORTS BY AREA
($m)

	Imports, cif 1977	1978	1979	1980	Exports, fob 1977	1978	1979	1980
OECD countries	5,481	5,890	8,530	7,955	2,101	2,437	2,986	3,358
EEC	3,806	3,829	5,699	5,220	1,395	1,305	1,928	2,365
Italy	1,029	827	1,146	1,117	664	531	716	833
Germany	1,571	1,801	2,887	2,500	390	472	739	778
United States	546	615	1,059	1,015	297	371	373	393
Other	1,129	1,446	1,772	1,720	409	761	685	600
Centrally planned economies	2,781	2,498	3,542	4,526	2,109	2,180	2,731	4,137
of which: USSR	1,301	1,375	1,793	2,698	1,138	1,394	1,401	2,489
Developing countries	1,371	1,595	1,947	2,583	1,046	1,051	1,077	1,483
In Europe	—	—	—	—	6	3	4	5
In Africa	323	397	570	936	469	467	543	735
In America	327	222	317	468	122	47	34	57
In Far East	164	440	67	86	151	300	42	51
In Middle East	555	536	993	1,093	298	234	454	635
Total	9,633	9,983	14,019	15,064	5,256	5,668	6,794	8,978

Source: OECD

YUGOSLAVIA III

Steering a middle course between the power blocs

FOREIGN POLICY

ANTHONY ROBINSON

NON-ALIGNMENT remains the basis of Yugoslavia's foreign policy, but the task of steering a middle way between the great military and economic power blocs has become more difficult since the death of President Tito.

Realistically, the Yugoslav foreign affairs establishment assumed that Yugoslavia's influence within the non-aligned movement would decline without the presence of Tito, who enjoyed a close personal relationship with many Third World leaders and respect as one of the founding fathers. But Yugoslav diplomats remain close followers of Third World politics and the affairs of international organisations as well as close monitors of events in the Soviet bloc and relations between the superpowers.

They also play an invaluable but discreet role in the structure of the widespread and disparate non-aligned movement by providing much of the staff work and organisational back-up to the movement. Belgrade also is frequently host to Third World leaders and has an extensive educational assistance programme for Third World students.

One of Tito's last achievements was helping to fend off the perceived threat to the genuinely non-aligned nature of the non-aligned movement which was posed by Cuba's three-year tenure in the chairmanship of the Movement's co-ordinating committee. Cuba did not succeed in persuading the Movement as a whole that the Soviet Union was its "natural ally" and moderate members including Yugoslavia ensured that the 16 principles of non-alignment were enshrined in the final document signed at the conclusion of the Havana Summit.

An even stronger blow to the Cuban position was struck by the Soviet Union shortly after the Havana summit, however, when its troops invaded Afghanistan and alienated much Moslem and Third World opinion in the process.

But over the last two years Yugoslavia's ability to maintain that independence from the Soviet bloc, which it achieved after its traumatic expulsion from Cominform in 1948, has been subtly undermined by the rapid expansion in its trade with Comecon in general and the Soviet Union in particular.

Mr Leonid Brezhnev, Soviet President, underlined the continuing Soviet Union's interest in closer relations with Yugoslavia by his presence at President Tito's funeral. He neatly upstaged the Americans in the process. President Carter's failure to attend despite the urgent recommendation of Mr Lawrence Eagleburger, who was then the U.S. Ambassador, was a diplomatic gaffe of the first order. Since President Tito's death the Soviets have combined diplomatic correctness with an almost eager willingness to show themselves as Yugoslavia's best friend at a time of economic adversity.

Delegations

Soviet buying delegations have come to Yugoslavia with virtually open cheque books, buying up vast quantities of Yugoslav consumer goods and agricultural products as well as plant and machinery — and at prices in excess of what Yugoslavia could hope to gain in Western markets where quality and price conditions are much more exacting. The scope for higher exports has been widened by Soviet willingness to sell more oil and gas as well as its traditional capital goods and raw materials.

The great attraction of Comecon trading is its bi-lateral and above all balanced nature. Higher imports create the opportunity for higher exports and all this is in marked contrast to Yugoslavia's trade with the West where its traditional heavy structural deficit has increased in recent months despite agreement on a new five-year trading agreement with the EEC.

All this is reflected in the trade figures which show that Yugoslav trade with Comecon rose by 55 per cent over the first five months of this year while trade with the OECD countries fell by 18 per cent. Deputy Premier Zvone Dragan publicly warned Yugoslavs of the risks inherent in such a development and called on exporters to step up their efforts to redress the balance by increasing their trade with the West, despite the difficulties of this task.

A week after issuing this warning Mr. Dragan went to Sofia as Yugoslavia's representative at the Sofia Prime Ministerial summit of the ten-nation Comecon group.

One of the aims of the summit meeting was to discuss ways of increasing integration between the economies of its members. Yugoslavia is not a member but has an associate status similar in some ways to its status in relation to the EEC. Although unwilling formally to increase its participation in Comecon, inability to redress current trends towards increased Comecon trade could in practice tie Yugoslavia ever more closely into the Soviet sphere of interest.

So far there have been few if any indications that the Soviet Union has started to apply its increased economic leverage. But eyebrows were raised in Western foreign ministries when Tanjug, the official Yugoslav news agency, announced the arrival last month of Admiral Gorshkov, Commander of the Soviet Navy, on an "official, friendly visit."

Admiral Gorshkov is widely recognised to be the father of the Soviet deep-sea fleet and architect of the Soviet Navy's post-war expansion. The Navy has long been anxious to obtain access to warm water ports. It has never made any secret of its desire to acquire naval facilities in Yugoslavia.

Up to now Yugoslavia has stoutly resisted such requests although Soviet naval vessels do have limited access to naval repair facilities at Tivat in the Gulf of Kotor. These facilities are limited to one naval vessel and one naval auxiliary at any one time. However, Admiral Gorshkov's friendly visit served as a reminder of Soviet long-term interest in Yugoslavia's long Mediterranean coastline and deep water ports.

Until Albania's break with the Soviet Union in the mid-1950s the Soviet Union had access to its submarine base facilities at Valona. Yugoslav diplomats believe that renewed access to these facilities also remains a long-term Soviet objective. This is an additional aspect of Yugoslav concern over recent events in Kosovo, the Albanian-speaking province in southern Yugoslavia, and the demands for the creation of a "greater Albania."

Inevitable

Enver Hoxha, the 72-year-old Albanian leader, is believed to be in ill-health and a change of leadership is inevitable within the next few years, and possibly before.

Some Yugoslav officials believe that the Soviet Union is looking closely at developments in Albania and is anxious to forge closer links after 20 years of estrangement and mutual abuse. This is why some Yugoslav officials profess to see a hidden Soviet hand behind the recent riots in Kosovo in the same way that they suspect the Soviet Union to be behind repeated Bulgarian claims on Macedonia. These are all sensitive pressure points which could be pressed if ever the Soviet Union decided to try to strengthen its hold over Yugoslavia again.

So far these suspicions remain little more than that. But they emphasise the sort of vigilance which the Yugoslav leadership believes is essential if the country's unity and independence are to be preserved. It also helps to explain the urgency of measures aimed at restoring economic stability and greater competitivity to the Yugoslav economy and the tough reaction to outbreaks of potentially divisive nationalism in Kosovo, Croatia and incipiently in Serbia itself.

Terry Kirk

Federal parliament building in Belgrade. Political vigilance underscores measures to restore economic stability

Kosovo a challenge to unity

CONTINUED FROM PAGE 1

institutions exists at both the Federal and Republican level. Under the system of revolving collective presidencies of top state and party organs Mr Lezar Mojsov recently replaced Mr Dusan Dragosavac as president of the Central Committee Praesidium for a two year stint. Similarly Mr Sergej Kraigher of Slovenia became president of the Federal State Praesidium for one year in succession to Mr Cvijetin Mijatovic of Bosnia.

The rotation system of top state and party posts was designed to symbolise fair shares for each of the republics and prevent the appearance of another strong leader in the Tito mould.

Decision

Fair and democratic as the system may be on paper the rotation of posts and devolution of power to the republics has greatly complicated the decision making process. It is proving increasingly difficult to attract real political talent to take federal jobs in Belgrade. Republican capitals have become recognised as the real centres of power and the place where an ambitious politician has to build his power base. In this way a system designed to reflect the diversity of Yugoslavia risks developing into a system which exacerbates the feeling of local rather than Yugoslav patriotism.

Growing awareness of the practical unwieldiness of the system as it stands has been increased by the seriousness of both the economic and domestic political situation. The need for speedier decision making and greater overall control of the economy all militate in favour of some degree of re-centralisation of power and the replacement of rotations by a promotion merit system. This, however, risks offending the so called "national key" principle which frequently leads to the promotion of less able people, simply because of the need to promote people from a certain republic or province.

The problems facing Yugoslavia are complex and deeply rooted. This is partly because Yugoslavia in its own special way is actually one of the most ideological of all countries. Self-management, non-alignment and the principle of ethnic equality are all highly ideological concepts which have made Yugoslavia what it is but at the same time look increasingly difficult to apply and adapt to the harsher economic and international political climate of the 1980s.

BASIC STATISTICS

Area	98,766 sq miles
Population (1979)	22.16m
GNP (1979)	YD 1,214bn
Per capita	$3,070
Trade (1980)	
Exports	$8.98bn
Imports	$15,064bn
Trade with UK	
Exports	£56.8m
Imports	£190.5m
Inflation rate (1980)	30.9%
First quarter 1981	40.6%
Currency: Dinar	£=YD 72.61 (7/7/81)

The debate about the future shape of Yugoslavia is likely to become considerably sharper in the months and years ahead. Part of the establishment will almost certainly be tempted to try to keep a tight rein on political, economic and intellectual ferment. There are already signs of this in the initial response to the Kosovan problem, the jailing of Croatian nationalists and the muzzling of dissident intellectuals.

Others argue that Yugoslavia needs a freer debate on the alternatives facing the country, a greater reliance on market forces and disciplines in the economic sphere and a franker admission of the fact that Yugoslavia is not and cannot be by its very nature a society free from conflicts and tensions.

In the last resort the debate shaping in Yugoslavia is between those who are pessimistic about Yugoslavia's ability to survive without strict limits to what is permissible and those who argue that Yugoslavia post-Tito has to learn to live with its responsibilities and face up to its challenges.

In many ways this is a debate between generations. The young generation which did not experience the horrors of the war and civil war, hanker for a Yugoslav version of the consumer society and the more flexible, less dogmatic ways of the West. Many of the older generation, are more aware of the risks implicit in any radical changes to the existing structure. But one thing is clear. Yugoslavia can not stand still and the pressures for change are mounting.

YUGOSLAVIA IV

Lower growth but high priority for exports

INDUSTRY

ALEKSANDR LEBL

AFTER YEARS of rapid and not always rationally planned development Yugoslav industry is having to face up to much harsher conditions brought about by a sharp reduction of activity in its domestic market and a pressing need to increase its competitivity in export markets. The days are long gone when Yugoslav industries could buy foreign licences and import sophisticated Western plant and machinery with scant regard for the balance of payments. The emphasis now is on utilising more fully the plant and equipment already in place and on trying to replace imports with goods of domestic manufacture as far as possible.

Statistics reveal the squeeze on imports with a 22 per cent drop in purchases of plant and equipment from the OECD area last year. This has not only affected new investments; it has also led to sometimes severe shortages of parts and components—an important cause of the slowdown of industrial growth.

Compared with the 8 to 9 per cent annual growth in industrial production to which Yugoslav industry became accustomed over much of the 1970s, growth slowed to 2.5 per cent over the first quarter of this year. January and February appear to have been the worst months, however, and production picked up to show a 4.9 per cent growth in March and 5.5 per cent in April. This year's target of 4.5 per cent growth still seems to be within reach, although some experts predict that 3 per cent growth is probably more realistic in view of balance of payments and other restraints, including the lower level of domestic consumer demand implicit in the current tight squeeze on incomes.

World Bank

Worker at the Kikinda Iron Foundry, which has been expanded with the aid of a World Bank loan

Orders

Lower investment and cutbacks in government spending have already led to considerable unused capacity in the construction and related industries. Similar problems would have hit a wide range of consumer-orientated plants as well had the Soviet Union in particular not stepped in with massive orders for a wide range of consumer items. The Soviet Union now takes, for example, around 90 per cent of total Yugoslav shoe production and around 70 per cent of the output of the leather industry. This of course is what the domestic squeeze is all about—freeing *capacity for export.*

Grateful as Yugoslav industry is for the new opportunities opened up for exports to Comecon, partly for political reasons, there is an uncomfortable awareness that it is not enough to rely on these markets and much effort has to be made to raise quality standards and marketing efforts in the West.

Meanwhile, cutting imports by raising production from domestic sources is also a high priority and this is seen most clearly in the energy and raw materials sector.

Domestic coal production was 11 per cent higher in the first four months of this year compared with the corresponding period of last year. This is consistent with the policy of replacing imported oil by domestic fuels. Oil refining was down 5 per cent. Likewise production of iron and steel and of chemicals went up by 13 and 15 per cent respectively. Those two groups of products have been *among Yugoslavia's largest import categories* and are still imported in substantial quantities.

Iron and steel imports rose by 27 per cent to $363m and chemical imports by 24 per cent to $602m over the first four months. But the foreign exchange outflow would have been much bigger had the local production not increased at such a respectable pace.

On the other hand several *important export industries have* put up a poor performance. Shipbuilding output was down 13 per cent and food industry production 7 per cent below last year's four months period. This is certainly disappointing in view of the fact *that those two* industries were expected to be pivotal in boosting exports, together with the textile and footwear industries, wood and metalworking industries and agriculture.

Generally speaking the main *task of Yugoslav industry now* and in the future is to become less dependent on imports and more export-orientated. The over-riding need is to end the present state of rising foreign indebtedness caused by excessive dependence on imported raw materials and foreign technology.

This should not be interpreted as a wish to become fully independent of either; that is neither realistic nor desirable. Even in the future Yugoslav industry will need many raw and intermediate materials it cannot economically produce locally and it will require new technology. But it must be able to pay for this through its own exports and invisible earnings.

That is not an easy task. For decades industry in Yugoslavia has developed on the basis of imported energy. Cheap oil up to 1973 induced it to neglect *local energy sources. Many raw* materials were also imported even when there were local sources. Technology was also imported to excess without investing enough in research and *development* — although Yugoslavia has its fair share of scientists and technical personnel. All those trends have to be reversed now and that will take time, effort and money.

The prerequisite for the turnabout is to change the ideas and mentality of people as far as exports are concerned. At present exporting is considered a necessary evil in order to secure the necessary foreign exchange. Rarely has it been thought of as a vehicle of more profitable and economical production which also allowed economies of scale. The Yugoslav market of 22m people is small, and producing only for the domestic market means producing on a small scale and expensively. This could last only as long as the market was protected and goods could be sold at high prices and in conditions of scarce competition.

Subsidised

Now that the need for higher exports has become a major priority many Yugoslav enterprises have found that their quality, design, delivery terms, servicing and other aspects often leave much to be desired. The goods produced in such circumstances often cost too much and for them to be sold on foreign markets they have to be heavily subsidised.

To remedy this the authorities have been doing several things. First, they have been trying to curb local demand for goods and services in order to have more for export. They have been successful so far as personal consumption is concerned and less so far as limiting productive and especially non-productive investments. Second, they have been subsidising exports heavily, claiming and believing that to be a temporary expedient. Third, they have been encouraging foreign participation in Yugoslav manufacturing *industries.*

The aim of the latter has been to obtain the most modern technology and increase exports and to a lesser extent to substitute imports. Foreign *partners* have been invited to form joint ventures with Yugoslav organisations, to conclude industrial co-operation agreements and to transfer their technology to them. Unfortunately, however, there have been differences of opinion as to whether the Yugoslav legislative and business climate helps or hinders the realisation of those aims.

Western companies and trade associations as well as Western governments have repeatedly drawn the attention of the Yugoslav authorities to the fact that there have been several deterrents to undertaking joint activities with Yugoslav organisations.

They have pointed to specific provisions in four Yugoslav laws—the technology transfer Act, the Foreign Investment Act, the Patent Act and the Sale of Medicines Act—which are seen as objectionable and should be changed or amended. Such criticism was made most recently by German businessmen to the Yugoslav Prime Minister, Mr Veselin Djuranovic, *during* his visit to the Federal Republic and by U.S. businessmen at the June meeting of the U.S.-Yugoslav Economic Council in Dubrovnik.

The Yugoslav Government has stated its willingness to consider these comments and proposals. Closely connected with this is the question of financing joint ventures and other forms of economic co-operation. That is especially important in order to promote co-operation in third countries, the developing countries where the Yugoslavs have good political contacts and chances to obtain contracts but often lack the contacts resources to finance them.

In 1980 Yugoslav construction groups earned $1.4bn from construction work abroad, over 70 per cent of that in developing countries. They won new *orders like the construction of* 35,000 flats in Algeria and could well surpass their 1985 target of close to $2.5bn worth of work if they could finance more. Here is an unexplored and promising area for co-operation.

SARAJEVO'84

$400m being spent on Olympics

SARAJEVO WAS chosen by the International Olympics Committee as host for the *1984 Winter Olympics and in* preparation for the event more than $400m is being invested to provide Olympic-quality sport and accommodation facilities which, it is hoped, will then provide the basis for a *thriving winter* sports industry.

The choice of venue was a controversial one within Yugoslavia, *with Slovenia in particular arguing that it would have cost far less to* improve existing skiing and winter sports facilities *in its* own Alpine region.

Sarajevo, capital of Bosnia-Herzegovina, made headlines in 1914 when the assassination of the Austrian Archduke sparked off events leading to the 1914-18 World War.

Rapid industrialisation and increasing urban sprawl since then has created unpleasant conditions and a major pollution problem. This is now being tackled by a comprehensive investment programme, introducing gas as a replacement for coal and providing modern sewerage facilities.

Drive for a growing export surplus

AGRICULTURE

ANTHONY ROBINSON

AN EARLY June heatwave gave way to heavy rain across the country at just the right moment to guarantee full ears of wheat, nice fat sugar beet and perhaps a bumper maize crop as well. But if nature has smiled on Yugoslav agriculture this year, the best hope for its long-term development lies in the widespread realisation that to achieve the country's agricultural potential in full consider*ably more investment is vital.*

Unlike industry, which has been the major beneficiary of high investment over the last two decades, the development of agriculture has a relatively low import dependency as well as considerable potential for export growth.

This has been realised in the last five-year plan period but investments reached only 60 per cent of the planned total over the past quinquennium. Now the need to turn a small agricultural deficit into a growing export surplus has led to a new priority for direct agricultural investment and the kind of industrial back-up required to develop fertiliser and agricultural machinery output and move into increasingly sophisticated areas of food processing, freezing and marketing.

A major investment in fertiliser production is due to reach fruition shortly as the Kutina complex starts turning out large quantities of chemical fertilisers for both domestic use and export. But further large-scale investment in drainage, land improvement and irrigation is planned to make full use of the country's fertile soils and crop potential.

This is especially important in the northern plain of Croatia and Voivodina which is the country's main granary as well *as the source of many industrial* crops such as maize, sun-flowers, sugar beet, rape and other oilseeds. Acreage devoted to Balkan tobacco is also being expanded as is the production of table grapes and wine.

The highly variegated nature of Yugoslavia's terrain assures a wide spread of agricultural produce but this is also matched by the particular nature of land ownership. This varies from the *large-scale agro-industrial com*binats, which extend over areas as large as 100,000 hectares to the 2.6m small private firms which account for 70 per cent of all agricultural land but whose average size is only 3½ hectares.

In recent years the emphasis has been on trying to extend co-operation between the socially-owned agro-combinats and the small peasant farmer.

This trend is to be further encouraged. For political reasons private farms are restricted to ten hectares on the flatter and more fertile land to 50-hectares in the hilly and mountainous regions in which Yugosalvia abounds.

In many parts of the country farming has become a part-time occupation as the spread of industry has provided relatively highly-paid employment for part-time farmers. Frequently, industrial incomes have been channelled into agricultural investment and nowhere is this more obvious than in Slovenia and parts of Croatia.

World Bank

The Zik Kombinat, in Kumanovo, raises pigs among other livestock

Status symbols

Not all this investment has been economically rational, however. In many cases the shiny new tractors and farm implements parked outside the comfortable and modernised farm buildings are status symbols which are under-used on such small plots.

Already, however, many farmers have co-operative arrangements with the nearby combinat. *This frequently extends to the supply of hybrid and* high-yield seed corn from the combinat which in turn relies on private farmers to fatten pigs and livestock before taking the fattened animals back for slaughter and processing.

During the term of the current five-year plan the aim is to increase agricultural output from 4.5 to 5 per cent annually. This is almost double the *average during the decade up* to 1978 when agricultural output rose by only 2.3 per cent annually compared with an average of 5.9 per cent growth in the GNP. This slow growth was due mainly to the slow growth in productivity in the private sector, for output in the big socialised farms, which tend to be on the best land and have much higher rates of investment, rose by 4.1 per cent annually.

Over the past decade employment in agriculture has dropped by more than 1m people and *those remaining have aged con*siderably. Even so agriculture still accounts for 37 per cent of total employment and makes up some 15 per cent of the GNP and 13 per cent of total exports.

Apart from the extension of industrial crops such as sugar, vegetable oils tobacco and, to some extent, maize, the next decade is likely to see a substantial increase in livestock output. Yugoslavia has made major efforts to develop baby-beef for EEC markets. It is *therefore a source of consider*able bitterness that opposition from French and Irish *farmers* in particular has further restricted exports to the Common Market despite promises of easier access to compensate for the entry of Greece into the EEC.

Big increases in the yields of maize and wheat have provided exportable surpluses which the farming authorities would prefer to export in the form of fattened animals or processed meat than as raw grain.

At the same time as keeping up pressure on the Common Market for greater access for its meat and by-products Yugoslavia is also looking to Comecon markets, and especially the Soviet market, as a long-term growth area. Yugoslavia has already co-operated with several Comecon and Third *World countries in the sale of* poultry and livestock rearing technology. For its part Yugoslavia is looking for technical assistance from the best Western producers, especially in the new technologies of market gardening food processing, freezing and marketing.

Heavy strains on the system

TRANSPORT

ALEKSANDR LEBL

GOOD COMMUNICATIONS are vital to any modern industrialised country. They are especially important for a country like Yugoslavia which is one of the world's most important transit countries and where tourism and transit fees are major hard currency earners.

They also play an important political role in facilitating access from one region to another of this ethnically mixed country where extensive mountain ranges, deep gorges and fast-flowing rivers have tended to reinforce local and regional isolation in the past.

Despite the heavy post-war investment in roads, railways, coastal and river transport, internal air routes and telecommunications, however, Yugoslavia has not been able to modernise its communications fast enough to keep up with the heavy strains on the system imposed by rapid industrialisation, mass tourism and the phenomenal increase in traffic from Western and Central Europe to the rich markets of the Middle East.

Further heavy investment in communications infrastructure is planned over the new five-year plan period and beyond. But the overall investment budget is being tightly controlled and Yugoslavia requires substantial foreign investment from the EEC, World Bank and other sources if the present difficulties are to be alleviated.

Outlays

The bottlenecks make transport costs in Yugoslavia very high — estimates vary from 18 per cent to 23 per cent of the selling price of merchandise — and that in turn has an adverse influence on the competitiveness of Yugoslav goods. Problems have been diagnosed but solving them requires investment outlays which are beyond the financial resources of Yugoslavia.

Railways used to be the most important form of freight transport in Yugoslavia until about a decade ago. Ten years ago the share of railways in aggregate freight transport was 40 per cent compared with the merchant marine's 9 per cent and 10 per cent for river navigation. Road transport accounted for 41 per cent of the total. Since then the railways have steadily lost ground to the road and in passenger transport too their share is only about 10 per cent. Now the trend is changing because of the steep increase of petrol and diesel fuel prices.

The capacity of the railways, however, is relatively small. At 9,900 km in 1979, total track is about the same as before the war, although the share of narrow-gauge lines has been substantially reduced and the share of normal gauge, double track and electrified lines increased, the last-named to 2,911 km in 1979.

As a rule very few lines or sectors may be used by heavier rolling stock and average speeds are very low. Safety and signalling equipment are also mostly old, and this has contributed to several major accidents involving heavy losses in material and lives.

All this means that freight capacity is limited and cannot be quickly increased, although a number of other European countries have been increasingly interested in using the Yugoslav railways for transit to and from Greece, now an EEC member and the Middle East.

The number of goods wagons has been declining and aggregate capacity stagnating. Average loading is among the highest in Europe; on average 38.5 tonnes per goods wagon. Many goods wagons, as well as passenger coaches, are old and not permitted to run on other European rail systems. There is a serious danger that transit traffic will tend to avoid Yugoslavia in future.

The only solution is to modernise existing lines and equip them for higher speeds of up to 160 km/h as well as to improve safety and reliability. This would require massive orders for new rolling stock which Yugoslavia is capable of building itself. But a prerequisite is adequate funding. Minimum requirements for the 1981-85 period are estimated at some YD 80bn ($2.4 bn) of which most would have to come from borrowings. The World Bank is expected to participate with $60-70m, a mere drop in the ocean.

Although rail transport will have priority in the current five-year plan, road transport will not be neglected.

Yugoslavia has become a major bottleneck for transit by road to and from the Middle East even though great efforts have been made in highway construction. Between 1951 and 1979 total length of roads went up from 72,000 to 114,000 km. Roads with asphalt or concrete surface rose from 2,318 to

The main north-south motorway at Belgrade, a key route between Europe and the Middle East

53,479 km, or from 3 to 47 per cent of the total. Yet all that has proved insufficient in view of the increase in traffic, both Yugoslav and foreign. Trunk roads are seriously overcrowded in the tourist season, so that average speeds are very low and the accident rate among the highest in Europe.

Yugoslavia has been watching with great interest the endeavours of Austria to get from the EEC a financial contribution to its motorway construction programme. If the Austrians succeed then certainly Yugoslavia will feel entitled to a similar but much larger contribution because the length of transit through Yugoslavia to Greece is much longer than through Austria, and Yugoslavia's financial means are far smaller.

The bulk would have to be financed internally but substantial amounts would still have to be borrowed on foreign capital markets.

The merchant marine could also make a much larger contribution to foreign exchange earnings than has been the case. Yugoslavs have a centuries-old tradition as sailors and thousands of them serve under many flags. The Yugoslav fleet of 1,339 ships with 2,389,236 grt is not large enough, however, to satisfy even the needs of Yugoslavia's own foreign trade so that much foreign exchange is lost through the hiring of foreign ships. On the other hand the Yugoslav merchant marine did earn a net $381m abroad last year.

Here again the main problem is financial, since Yugoslavia's shipyards can build as many ships as required by home shipowners. But legal and financial problems have not been adequately solved.

A Yugoslav vessel sold to a Yugoslav shipowner costs much more than when sold to a foreigner who, unlike his Yugoslav counterpart, obtains in addition favourable credit terms. This means by the same token that Yugoslav shipowners can buy much more cheaply abroad where they also get easy credit terms. Shipyards and shipowners have signed an agreement on sale and purchase of Yugoslav ships to Yugoslav owners — the so-called Piran agreement—but implementation has been very slow.

River transport has also been neglected. There were times when Yugoslavs were dominant on the Danube. Now the Soviet flag dominates and the rates Soviet and other Comecon ships can offer exclude competition. Prospects have improved, however, with the growing awareness after oil price increases that river transport is incomparably cheaper than rail or road.

Capacity of the shipyards on the banks of the Danube and Sava rivers is sufficient to build the required number of tug and push boats, barges and other vessels. Here again finance is the main limiting factor.

Air transport also suffers from some organisational problems, as too many regional interests would like to have "their" airlines. The all-national airline JAT still dominates the market but has been forced to increase both domestic and international fares, the latter in line with directives by IATA, of which it is a member. But it still faces losses while continuing its programme of modernisation by buying new and more economical aircraft on credit, mainly from the U.S.

Integrated

Modernisation of the Yugoslav transport system includes much more than constructing roads and railroads, buying new rolling stock, ships and aircraft. Sea and river ports also have to be enlarged, new container terminals built, and a more integrated transport system organised.

Yugoslav manufacturing industries are capable of supplying all kinds of transport except large aircraft. The motor industry has made spectacular progress in the last quarter of a century but is now at a crossroads. The main problem is that too many companies produce or assemble passenger cars, mostly under foreign licence. There are no fewer than six major car assembly operations producing Fiat, Volkswagen, Renault, Citroen and General Motors vehicles.

While there was a favourable economic climate they could sell all they made at any price they chose or were allowed to ask. Now, however, with real incomes falling and no more instalment credit car purchases they are all in the doldrums and the cost of production is way above European, U.S. and especially Japanese levels.

Stocks of unsold cars have been going up and unless credit rules are changed some companies may be forced out of business as the smallest, CIMOS in Slovenia, already has been.

Big investment in development to cater for tide of visitors

TOURISM

ANTHONY ROBINSON

THERE IS a lot more to Yugoslavia than a 1,000-kilometre coastline bordered by a necklace of pine-covered limestone islands, but for most of the foreign visitors who spent a total of 37m nights in the country last year the seaside is what attracts them most.

To accommodate the rising tide of visitors the Yugoslav tourist industry has invested heavily in new hotel complexes, camping sites and infrastructure of all kinds. Compared with parts of Italy or Spain, which have been ruined by unplanned over-building and pollution, this investment has taken place with a certain degree of taste and discrimination. Helped by the nature of the terrain, mostly limestone hills sloping down to the sea, much hotel building has been carefully contoured so that little shows above the level of the surrounding pines.

Great care has also been taken to preserve the character of the delightful seaside towns and villages, with their simple, solidly built limestone houses, churches and piazzas. The Venetians in particular have left their elegant stamp along the Dalmatian coast in towns like Zadar and Split and any number of smaller places both on the mainland and the islands.

Potential

Despite the construction boom of the last two decades, however, Yugoslav tourist experts calculate that only 20 per cent of the coastal area's full tourist potential has yet been tapped. Certainly there are still many totally uninhabited islands with no building of any kind, as well as long stretches of rocky coastline which could conceivably be further developed. But the winding coast road is already a nightmare for travellers in the peak months and massive investment in airports, roads and other infrastructure would have to accompany any additional development here.

Nevertheless, development of the tourist industry has been given a high priority in the new five-year plan, in recognition of

Lively trade at a local market in the Montenegro region Trevor Humphries

the role it has already played as a major hard currency earner. According to the official figures, Yugoslavia earned $1.14bn from foreign tourism last year and hopes to earn $2bn (at current prices) by 1985. In addition to these official inflows, however, substantial amounts of hard currency, probably as much as $400m last year, are earned by the private sector and put directly into the hard currency accounts which Yugoslav citizens are allowed to keep.

Up to now the bulk of investment has been in the self-management sector with a preference for large hotel complexes or groups of hotels sharing a common infrastructure. A typical example of this is the Babin-Kuk development near Dubrovnik. Now, however, there are signs of a re-thinking of attitudes towards big complexes and growing awareness of the advantages of allowing small private hotels and restaurants.

The attitude towards private enterprise varies from republic to republic. Slovenia and Croatia are the most liberal in this respect. As a rule nobody is allowed to employ more than five people, apart from family members, but in Slovenia no limits are placed on temporary staff employed at weekends or national holidays. Increasingly, small family restaurants and bars are opening up both along the coast and throughout Yugoslavia. Food and service is generally of a much higher standard than in the larger establishments where self-management sometimes seems to mean that the hotel or restaurant is run in the interests of those who work in it rather than the guests. This, however, is also partly a reflection on the nature of mass tourism in general with coachloads of people and hotels organised on factory lines.

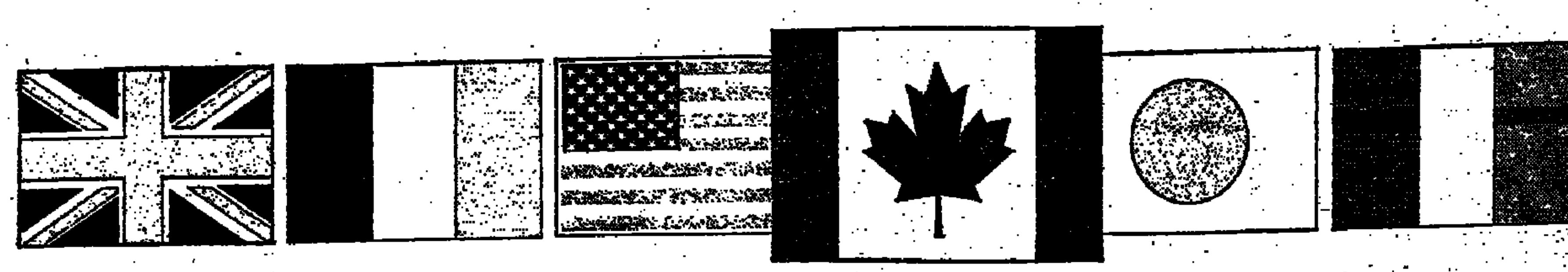
Alpine

Apart from re-thinking the virtues of size and a new willingness to scale down new projects the Yugoslav tourist industry is also thinking of ways to extend the tourist season and to develop inland tourism. Yugoslavia is in many ways a splendid touring country with a wide variety of landscape ranging from the Alpine splendour of Slovenia to the beech and other deciduous forests of Bosnia and rolling plains of the Vojvodina. Large parts of the country are mountainous with spectacular limestone gorges, fast-flowing rivers and sometimes—as at Plitvicko south of Zagreb, or Bled in Slovenia—stunningly beautiful freshwater lakes. Once off the main autoroutes and coast roads traffic is agreeably sparse in the country itself.

Sparing use of herbicides and a still fairly primitive agriculture in some parts also ensures the sight and smell of meadows, the like of which are just a memory in the chemical agriculture of Northern Europe. Markets with peasant ladies selling wild strawberries and other delights are to be found all over Yugoslavia which is one of the few remaining nations where country people often still wear their traditional peasant costumes as everyday wear—this is particularly true in Bosnia and Kosovo.

The extraordinary ethnic and cultural diversity of Yugoslavia also ensures a constantly changing and rich pattern of architectural styles and local customs. Moving inland from the Dalmation coast to Bosnia, for example, brings one to the Yugoslavia melting pot where Catholic spire or Orthodox dome stand cheek by jowl alongside the minaret of a mosque. The coastal towns are also richly endowed with Roman remains, while farther inland Ljubljana, the capital of Slovenia, is a Hapsburg jewel of a city and the old town of Zagreb, capital of Croatia, is far too often passed by. One of the great transit cities of Europe, Zagreb is also the most lively cultural city in Yugoslavia.

Apart from the cities and coast, Yugoslavia also has big potential for the further development of winter sports. At present Slovenia is the most important skiing and winter sports area but heavy investment is now taking place in building up facilities for the 1984 Winter Olympics at Sarajevo while ambitious plans also exist for the development of skiing on the Kopaonik mountains in Serbia.



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Railways in a vicious circle

LORD McCARTHY and his fellow-members of the railway pay tribunal can hardly conceal the depression which results from any close examination of railway problems. Their report acknowledges that railway pay has become sharply more depressed in relative terms in recent years, and that there is now a widespread problem of low pay, leading to unfilled vacancies. At the same time they, and the unions, are equally aware that the British Rail board can do little about it. Yet much of the underlying problem ought to be soluble.

It would now require an increase of 29 per cent to restore industrial relativities to their position in 1974. This is in no sense an argument for a settlement remotely on this scale. It is quite impossible for every group to maintain the best relative position it has ever achieved — a process of inflation which used to be known as leapfrog. However, the scale of decline in this case, where the tribunal's suggested settlement would still leave relative pay depressed by nearly one fifth from its peak does help to explain the growing militancy of the rail unions, which is now making progress much more difficult both on the British Rail system and on the London underground, as the new Left-wing GLC has already discovered to its cost.

Low paid

It is to be hoped that both sides will accept the McCarthy findings, despite their disappointment. The tribunal has tried to meet the problems by weighting their award in favour of the low paid and of the London Allowance—a response, so far as resources allow, to the evidence of the labour market. The unions are offered a settlement worth 10½ per cent on average—near the likely rate of inflation, and rather above the average growth of earnings over the last six months.

The Board can argue that it cannot afford such a settlement—and indeed that it cannot afford any increase at all: out although the tribunal's findings are not formally binding, they have been accepted in custom and practice. The damage to mutual trust of a rejection might prove much more costly than the implied setback to capital spending.

The maintenance of understanding is vital because the outlook for progress on productivity has become rather less discouraging recently. The two main rail unions have at last buried their differences, for the time being at any rate, and thus removed an almost insuperable bar to rational discussion of train manning; and some problems, notably the ending of the parcel delivery service, have been solved.

The next urgent priority is for the unions to secure performance of productivity undertakings given in the last pay settlement, but still not honoured. The way might then be open to the further £100m which the Board claims could be saved by its present productivity programme—enough to finance a supplementary 3 per cent on pay if the gains were shared on a 50-50 basis.

Fundamentals

The long-term potential should be substantially greater, for the railway system is caught in the characteristic vicious circle of low-paid industries: hours are quite exceptionally long. In terms of manning, British rail is relatively efficient by international standards; but when measured in man-hours, the performance is deplorable. The railwaymen have been protecting their earnings by work practices which involve putting in 25-30 per cent more hours than is normal in other countries. The Board has long argued that more rational practices could enable the same workforce to run the system on a flexible 40-hour week, with a large available gain in hourly pay rates.

The unions have tended to answer such arguments with what is essentially a political response: their pay is depressed because UK rail subsidies are abnormally low, and this "injustice" should be righted first. This is a self-frustrating line of argument, for the fear that the labour force will grab any available subsidy is one of the most powerful arguments against more generous support, which we would otherwise favour on a cost-benefit basis. It is rail users rather than railway workers who provide the sums which in other countries fall on the taxpayer.

A peaceful settlement now, if it can be secured, might help towards a better understanding of the fundamentals. Efficiency should be good above all for railwaymen. The case for subsidy, where it exists, is to provide incentives for transport users to make more efficient use of the system as a whole.

Spanish pride takes a fall

SPANISH PRIDE has suffered several blows recently. Britain has rejected a much-heralded initiative from Madrid to move towards a solution of the Gibraltar problem. France has not, or not yet, shifted from its critical attitude towards Spanish membership in the European Community. Nor has Paris given Madrid much encouragement in its quest for the extradition of alleged Basque terrorists now safe across the French border.

None of that would be especially alarming, were it not for the fact that Spanish democracy is young and vulnerable to attack. The Spanish Government of Sr Leopoldo Calvo Sotelo badly needs some successes in order to build up its standing among a people poverty-ridden at the best of times, and now badly hit by the economic recession.

Concession

The need for a success of that kind was one of the reasons for the visit to London this week of Sr Juan Duran, Director-General for European and Atlantic Affairs in the Spanish Foreign Ministry. He asked for Spanish citizens entering Gibraltar to be given status equal to EEC citizens—meaning chiefly the right freely to take jobs—in return for opening the steel gates which have cut off Gibraltar from Spain during the last 12 years.

He was told that such a concession was not on offer and the whole matter was committed to the usual diplomatic channels for further consideration. The British case is clear-cut—that Spain, in a joint statement agreed in April 1980, undertook to open the gates and has failed to do so.

On a careful reading of the joint statement Britain was in its rights. Moreover it is committed not to change the status of Gibraltar, at present a British colony, without the consent of the Gibraltarians, who are not unduly upset about the Spanish blockade.

Nevertheless it is to be hoped that the diplomatic channels will quickly produce a formula enabling the Spanish Government to show that it has achieved something in this emotion-charged matter. By implication though not explicitly, Madrid has adjourned (though not abandoned) its claim to sovereignty over Gibraltar: Spanish opinion will want to see quid pro quo.

EEC-status in Gibraltar would, in any case, become automatic once Spain is in the Community. But Sr Calvo Sotelo may not be able to wait so long. The present prospect is that Spain will not be able to join before 1984. Negotiations have been painfully slow and, after some encouragement from the new regime in Paris, France last week returned to delaying tactics. Fear of the impact of Spanish agricultural production on the common farm policy appears to have been a main reason.

The fear is justified and makes all the more urgent a reform of that policy—though less money for producers of wine and olives might make membership less attractive to the Spanish peasant.

Opposition

The standing of Spain in the world is also one of the two main reasons why Madrid probably in the autumn, has to apply for membership of Nato on terms not yet fully defined. The alliance is ready to accept Spain, but domestic opposition is formidable: the Communists are against and the Socialists at least critical. In any case, Madrid first wants to renew its bilateral agreement with the U.S., providing for American bases in Spain, and hoping to gain arms deliveries and technological know-how in return.

Sr Calvo Cotelo's second reason for wishing to join Nato is that it would give the soldiers a real military job and help keep them out of politics.

Morality and experience both demand that the West do all in its power to sustain Spanish democracy. A serious attack on the Gibraltar problem is over due 15 months after the joint statement of last year; tactical finessing should not be allowed to hold up negotiations for Spanish membership in the EEC; and Spain should clearly state its intentions on Nato as soon as possible.

OTTAWA SUMMIT

Educating Mr Reagan

By Reginald Dale, U.S. Editor, in Washington

President Reagan—pressure from all sides

NEVER before, in the eyes of many of those travelling to Ottawa this weekend, has the need for a successful Western summit been greater. And yet never before has a summit been held that looked less likely to agree on concerted action to tackle the West's economic problems.

The seven-national Ottawa summit on Monday and Tuesday, in a number of other important ways, will be different.

This time, the participants insist that they have learned their lessons from their six previous annual gatherings—and particularly from last June's meeting in Venice, where they became virtual "prisoners of their own communique."

This time, they say, there will be no nitty-gritty wrangling over the details of economic or energy targets, a job better left to bureaucrats. Instead this summit will take place at the log-built Chateau Montebello, in virgin countryside 80 miles away from the main press centre in downtown Ottawa, in order to allow a free-ranging review of the world's problems in a more secluded setting than ever.

"Specificity," in the words of one of the sherpas (the national officials who prepare the way to the summit) is out.

This conclusion may genuinely have been arrived at in the light of experience. It is also convenient for there would be little or no chance of the Ottawa summit's participants agreeing on the specifics of, say, monetary policy, were they to stay at Montebello for the rest of the year. Equally, it is now widely accepted that the setting of specific economic targets at past summits has had little impact on the real world.

In any case Ottawa will be the first summit for five of the participants—Presidents Reagan of the U.S. and Mitterrand of France, Prime Ministers Suzuki of Japan and Spadolini of Italy, and President Gaston Thorn of the European Commission. The three veterans will be Chancellor Schmidt of West Germany, Mrs Thatcher of Britain, and Mr Trudeau of Canada.

An obvious priority is for them simply to explain to the others how they see their own problems and how they intend to tackle them. "Mutual education," say summit officials, is one of the main purposes of next week's gathering.

There is a much more important reason why Ottawa is different, at no previous summit have the political philosophies represented around the table diverged so sharply as they do today. The French and American elections have changed the political map of the West more radically than anything since the seven countries first started meeting.

The differing philosophies, and not just those of Mr Reagan and M Mitterrand, mean that although these gatherings are meant to be economic summits, Ottawa will probably prove to be the most political so far. It is not just that foreign policy issues like Poland, the Middle East and Africa will be discussed around the dinner table.

For behind virtually every economic issue that is up for discussion — macro-economics, trade, North-South relations between industrialised and developing countries, East-West economic relations and energy—there is a major political or philosophical issue, and one which usually sets President Reagan against most or all of the rest.

President Reagan tends to see the North-South dialogue as an integral part of East-West relations, an instrument for containing communism in the Third World. To the Europeans, and particularly the French, the dialogue is good in its own right, quite apart from also being likely to provide considerable economic benefits to the industrialised countries. President Reagan wants to see a much greater role for private enterprise in developing the Third World and less emphasis on multilateral institutions. Most Europeans disagree.

There are major differences between Europeans and Americans on East-West trade. Again President Reagan sees trade as a weapon in the struggle against communism.

The U.S. delegation in Ottawa will argue that the West should (a) start taking a serious look at the security implications of some of the high technology goods it is currently selling to the East, and (b) see how trade sanctions could be used as a lever on Moscow in the event, say, of a Soviet invasion of Poland.

There is a broader American fear that by forging so many close trade, and energy, links with the Soviet Union, the Europeans are making themselves vulnerable to Russian blackmail.

The Europeans will argue that the world seen from under the shadow of the Warsaw pact looks rather different. "The education of Ronald Reagan" on this and other issues like Southern Africa, is how one senior official described the summit's main aim. Nowhere is this more "necessary" than over the question of U.S. interest rates, where public differences between Americans and Europeans have been sharpest in recent weeks.

The Europeans are not really expecting President Reagan to do an economic U-turn, whatever they say in Ottawa. But they do want him to understand the broader issues behind what may look like technical, or even hypocritical, European complaints about the effect of Reaganite monetary policies. What is at stake, many of them believe, is the potential collapse of the already sickly West European economies.

Or, as one summit official puts it, the West could soon reach a "critical juncture in its political interests." Mounting unemployment in Western Europe could force governments to face a choice between social and defence spending. What many Americans already see as a leftwards drift to neutralism, if not pacifism, in Western Europe could be accelerated—possibly irreversibly.

One can argue endlessly about how far the current economic plight of Western Europe is the fault of President Reagan's economic policies. What the Europeans want to do is to try to get President Reagan to see the whole picture. In Washington last week, M Thorn spelled out his view that the entire future of the European community, and with it 30 years of post-war history, could now be in danger.

So, however technical some of the issues on the table at Ottawa may superficially appear, there can be no doubting the gravity of what lies behind them. The over-riding question for the summit is where the West should now be heading, economically, politically and philosophically. It is a far more difficult question to answer than it was a year ago.

Both Mr Reagan and M Mitterrand have come to power with what they see as strong mandates, which in many areas pull in opposite directions. Mr Pierre Trudeau, the summit's chairman, believes that it will be "the most difficult ever."

Posing the question, and Mr Trudeau intends to pose it at Montebello, is the easy part.

Why Europe wants a better deal

By John Wyles, Common Market Correspondent

IF THERE is a single message that the European leaders will want to impress on President Reagan and Premier Zenko Suzuki of Japan, it is that the world economy is extremely interdependent and that the European side of the industrialised world's triangular relationship is getting the short end of the bargain.

The Europeans in general and M Mitterrand in particular want it clearly understood that the present level of U.S. interest rates and the volatility of the dollar cannot be tolerated for very much longer, even though they sympathise with the objectives of U.S. economic policy, namely a reduction of inflation and sustained growth.

They fear that Mr Reagan may have got his fiscal strategy wrong and that an insufficiently reduced central government deficit will leave U.S. monetary policy and his Federal Reserve Board to carry almost the entire burden of fighting inflation.

At Ottawa, however, all they can do is express their concern and signal that they are ready to be patient—but not for too long.

They are prepared to be much less patient with Mr Suzuki. After seeing their trade deficit with Japan double to $10bn last year and then soar another 56 per cent in the first half of this year, the EEC countries are determined to have no more "jaw-jaw."

The last thing they want is to have to consider the "war-war" alternative of systematic protection, but Mr Suzuki will be told that public opinion and economic facts will force them in that direction unless the growth of the deficit is halted.

This week's Japanese Government statement urging the import of more manufactured goods from the EEC is regarded as potentially helpful, but there must be results and they must come quickly, say the Europeans.

On North-South issues, since Washington has said that it is not yet ready to define its position for the October summit in Mexico, President Mitterrand, for one, may try to swing the U.S. somewhat closer to European thinking. But on some of the main political issues, Ottawa is unlikely to present much of a problem.

Chancellor Schmidt already has a U.S. undertaking that negotiations with the Russians on the reduction of European theatre nuclear forces will begin before the end of the year and M Mitterrand has now joined him and President Reagan in agreeing that the West must negotiate from a position of strength.

There is, however, some anxiety in European capitals that if President Reagan's hawkish rhetoric is unaccompanied by a more effective private diplomacy, and if its real substance lies more in the deployment of new weapons, a new arms race and moves to arm China, then the prospect of useful negotiations with Moscow will be greatly diminished.

MEN AND MATTERS

In the bag

In the great meal of life, Michael Vernon is now ready for the sweet course. After the bread, zuppa pavese and steak pies which were Spillers, the man who saw his shareholders sell out to Dalgety now becomes chairman of Famous Names, the Bristol confectionery company formerly known as Cavenham Confectionery when it was part of the Sir James Goldsmith empire.

Famous Names is the subject of a management buy-out worth around £8m. Four directors, including managing director Michael Wilmot, will hold a minority of the equity, with buy-out specialist Candover Investments furnishing the requisite financial muscle with the help of County Bank, Gresham Trust, Hill Samuel, Lazards, the Pru, and investment trust Sumit. It was also the Candover connection which brought in Vernon. He and Candover managing director Roger Brooke were once colleagues at EMI, and Brooke recruited him to cast a practised eye over Famous Names' prospects.

The company was duly bought from Banque Occidentale, where it went when the Cavenham group disposed of its UK manufacturing interests to concentrate on retailing. The directors have put up a total of £100,000, topped up by other investors to £1.15m. Individual equity stakes are not being disclosed, but none is higher than 20 per cent.

There is one question which a mind like mine cannot risk asking where a sweet maker is concerned. Has the consortium bitten off more than it can chew?

Not by Vernon's reckoning—"they are a very good team, and the factories are very well equipped." he says of his new venture. Sales are around £24m annually, with "very good profits" in 1978, according to Wilmot, but with 1979 hit by higher VAT, and 1980 by higher interest charges leading to destocking. That latter phase, he reckons, has worked itself through, so the outlook for 1981 is more sanguine.

Polls apart

Would a splash by Roy Jenkins in Warrington cause any ripples in Croydon North West? I asked yesterday as the Social Democrats and their Liberal allies took the plunge. "You could certainly say the situation is still fluid," I was told by members of both parties, pondering the choice of candidate for the next by-election.

Official party spokesmen say there is agreement that it will be the Liberals' turn at Croydon—and William Pitt, the local government officer who has fought, and lost, three elections there for the party expects to be endorsed again. "I am the Liberal ppc, in post, chosen by the local party and approved by the regional party," he said. "I would not like to comment further. There are certain developments . . ."

Indeed there are. Many small private meetings have already taken place and there will be many more before the joint party meeting in Croydon next Friday at which a candidate will be chosen.

It is possible that Shorley Williams, despite her dithering, could emerge as the choice to fight the alliance's cause in a constituency where its chances of winning are rated very favourably.

Amid all the conflicting views I heard yesterday, it seemed that the bigger the poll Jenkins won in Warrington, the more likely she is to be Croydon's choice.

"Mr Heseltine isn't here—he's gone to Liverpool to close the stable door"

Spent force

Burma has not for a number of years been partcularly close to the British government's thoughts — which perhaps explains why Britain managed to find a modest £5,000 for relief of victims of the fires which which swept through Mandalay, and the northern township of Tuangwingyi, in May.

This sum, one eighth of Oxfam's £40,000 contribution, augments donations from the U.S., Germany, Japan and the USSR. Eight people died in the fire, with 35,000 made homeless. Property damage is put at £3.5m.

The Foreign Office is in the process of closing down Burmese language service transmissions as part of the drive to cut costs in BBC External Services. Perhaps the £5,000 will be found out of the £170,000 to be saved here.

Press gang

"Modest" would, I think, be a fair word to describe the show of interest by the City financial community in the continuing saga of crashed fringe bank London and County Securities. At the unsecured creditors' meeting held yesterday in the offices of accountants Spicer and Pegler, liquidator Richard Langdon addressed himself to an audience of two — a manifestation of myself, and a representative of what Bernard Levin would call the "Daily Another-newspaper."

The rescue party including NatWest which did its best to bail out the corporate stretcher-case seven years ago is owed something over £37m; the Bank of England is about £10m out of pocket, as is a collection of City institutions.

With those eminent bodies evidently relying for their information upon the tittle-tattle of the financial press, may I report that Langdon reckons it could take around three years to disentangle the rump — forgive the mixed metaphor — yielding a probable 63p or so in the pound.

Last straw

Earnest ex-adult education tutor Robin Cook, MP, for Edinburgh Central, turned his militant attentions this week from Tory defence policy to deliver a diatribe against nuclear energy in a Fabian tract entitled No Nukes!

Cook quoted from "of all places" the Aldermaston News: "If the manpower employed by UKAEA over the past two decades had been been applied instead to thatching domestic roofs we would now be saving as much energy through added insulation as we obtain from our nuclear power stations."

Alas for such punditry. The quote comes from a satirical spoof written in Aldermaston News in 1974, envisaging Denis Thatcher (geddit?) as Minister for Energy Conservation.

If Cook had read a little further, he could have reinforced his anti-nuclear case with more powerful arguments: The Thatcher plan, says the article, would not only have given everyone a new roof, it would have provided a boost to agriculture, saved food imports, and Britain would by now be exporting teams of skilled thatchers to the rest of the world.

Observer

Michael Cassell reports on the reaction to the Greater London Council's proposal to halt future office development

The GLC stuns the property market

A SEVEN-PAGE document which emerged unannounced from the Greater London Council's planning committee threatens to wipe out the existing ground rules for commercial property development in London.

The report, setting out the Labour-controlled GLC's approach to planning, is short but explosive and though some of its observations and proposals may raise the eyebrows even of Labour's most strident supporters, it requires no further approval and plans for its implementation are well advanced.

At the centre of the new planning strategy lies a total rejection of the need for the type of office development which has been allowed to flourish in London over the last few years and of the private enterprise approach which has made it all possible.

With GLC backing, all new office development in central London is to be stopped, unless it provides jobs which are necessary for manufacturing industry or provide benefits to public transport facilities and other public services. No schemes at all will be permitted in parts of London which are deemed to be already overdeveloped.

At this stage, the policy raises as many questions as it answers. What constitutes over-development? Will a major industrial company be denied more office space for administrative offices unless it can point to more industrial jobs as well? How will developers be able to give any such assurances on new manufacturing jobs if they do not even know the identity of the eventual tenant?

The potential repercussions of a document prepared under the leadership of Mr Ed Gouge, a planning lecturer who became a GLC councillor in May, which says there is no room for "grandiose, speculative development in a Socialist London" were not lost in the City.

In a touch of irony which cannot have been lost on most of the planning committee members, the prospect of a shortage of new office space in London added hundreds of millions of pounds to the value of property shares. The market capitalisation of Land Securities, Britain's largest property group, rose by £100m overnight. And the personal share stake of at least one property entrepreneur rose by over £5m is as many hours.

For property groups with portfolios biased towards London offices, such as Land Securities, United Real London Property, British Land and Haslemere Estates, the potential was quickly reflected as prices were marked up. But the initial enthusiasm was tempered by the knowledge that fresh development programmes in the country's most important commercial property market may well now involve an even tougher assault course than in the past.

The GLC case is that the commercial property development industry has helped to kill off traditional industries and lay waste inner city areas. The time has come, according to the new Labour GLC, to "put the needs of the people first."

There has, without any question, been a major population flight from London which has accelerated over the last few years. Between 1971 and 1981, Greater London's population fell by more than 750,000 to under 7m for the first time this century while inner London boroughs lost on average almost 20 per cent of their residents.

Some traditional centres of industry have also disappeared. The eastern fringes of the City for example used to house the garment and tailoring trades and furniture manufacturing. They have now been turned over for office development and sites lie derelict because their greatest potential value to the owner will only be realised with an office scheme. But the contraction of London is scarcely only the result of the property developers: all Britain's major cities have been losing manufacturing industry as the latest census figures show.

The GLC intends to prevent what it sees as the indiscriminate spread of commercial schemes and says it will deploy its own "considerable capital resources" to help promote the sort of development—homes, industrial jobs and recreation facilities—which it sees as the main priority.

At the same time, the leaders at County Hall intend to see that some of these things are provided by fully exploiting the concept of "planning gain", under which developers anxious to secure planning approval have to provide additional facilities for the community in order to get permission. The proposed developers of the Hays Wharf site on the South Bank, for example, have 250 homes and 3 acres of parkland included in their plan.

Reaction from the property industry to the committee's recommendations have been as outspoken as the report itself. Property company executives, City analysts and estate agents argue that the GLC is acting on outdated prejudices concerning property development and that, by intervening, is threatening to upset a stable market and create chaos.

Memories go straight back to the mid-1960s, when the introduction of Office Development Permits by George Brown provoked a trebling of London office rents. The industry appears convinced that the imposition of artificial constraints on the property market can only eventually provoke a recurrence of earlier events.

Although there are obvious comparisons between the use of ODPs and the GLC's new restrictions, there is one important difference. In the 1960s, the government of the day was the sole arbiter of whether or not an office scheme was acceptable. In this case the final decision on planning applications does not necessarily rest with the GLC, however resolute its anti-office stance.

But that is a mixed blessing. Developers now fear that the planning system in London will begin to revolve around public inquiries, lengthening an already protracted pre-development process. Nor can it be assumed that the Department of the Environment will necessarily overturn GLC decisions. The Conservatives, given the spectacular and disastrous behaviour of the property market in the early 1970s, are understandably sensitive about their relationship with the development industry and have this time attempted to appear scrupulously fair in assessing the relative merits of big commercial schemes.

The most immediate effect of the GLC's decision could be to divert an already growing volume of development activity away from London to provincial centres such as Maidenhead, Slough, Reading and as far as Newbury. Closer in, active office development centres like Wembley and Hammersmith could be particularly affected. Hammersmith is cited by Labour as a prime example of an area which traditionally housed a wide range of small industrial businesses which have gone or are being eased out in the wake of office development.

With rents in parts of central London already forecast to rise by 50 per cent or more over the next four years as the economy recovers and demand increases, the fear is that the new controls will add a further twist to the expected spiral. All well and good for landlords, but the rising cost of accommodation could well be the final straw for many international businesses, which have largely sustained London's office market during the recession.

Comparatively low British labour costs have helped maintain London's appeal as an office centre. But prime rents now stand at around £24 a sq ft, rates add 50 per cent more to that total and there is the prospect of an autumn supplementary rate increase which alone will put another £2 a sq ft on City accommodation costs.

Whatever happens the City and West End—into which something like 400,000 workers commute daily—will from now on offer limited development opportunities. In the City, over 2m sq ft of speculative office space is due to be completed in 1981 and a surplus of around 1m sq ft is expected to last until next year when demand is set to rise.

The prospect of growing shortages of space beyond the mid-1980s will, according to Mr Peter Hardy, of Rowe and Pitman, the stockbrokers, encourage potential tenants to take what they can find while it remains available.

"The temptation will be for people to regard the GLC plans as fanciful political rhetoric and nothing more. But they have got to be taken seriously.

"There is no question that by meddling with a sound and stable property sector, the GLC runs the risk of upsetting everything."

Mr Christopher Benson, president of the British Property Federation and managing director of MEPC, the UK's second largest property group, says: "We have learned our lessons on oversupply and no longer live in that gaudy era when money poured out of the fringe banks and new schemes sprouted up daily. Property companies today find themselves more in the role of managers than entrepreneurs and it is the institutions, hardly known for their love of high-risk business, which dominate the scene.

"I strongly believe that an overall planning strategy for London is necessary. But the planners must acknowledge the fundamental role of the private sector and not simply condemn it out of hand because of false theories about vast profiteering and lack of concern for the community.

"How can the GLC say it stands for the needs of Londoners and call for the creation of jobs and then implement a policy which could damage a major source of employment?"

PRIME OFFICE RENTS AROUND THE WORLD

	£ per sq ft
London	25.00
Brussels	4.58
Paris	14.38
Amsterdam	6.70
Geneva	9.91
New York	29.05
Hong Kong	29.51
Tokyo	22.43

Rents are converted from local currency into sterling. The above table was compiled by Richard Ellis in April.

Letters to the Editor

Spending £1bn on Moscow

From the Director Designate, Stockholm International Peace Institute

Sir,—In David Fishlock's article on the £1bn Chevaline programme (July 14) there are, I think, some relevant points which he did not mention.

There exists a U.S.-Soviet treaty on the limitation of anti-ballistic missile systems which entered into force in October, 1972. Permitted ABM deployments are limited to two areas in each country — one for the defence of the national capital, and the other for the defence of some inter-continental ballistic missiles. No more than 100 ABM launchers and 100 ABM interceptor missiles may be deployed in each ABM deployment area. ABM radars should not exceed specified numbers and are subject to qualitative restrictions. This Treaty is of indefinite duration. I know of no suggestion that either signatory has broken the Treaty.

Thus the only city in the Soviet Union which has any anti-ballistic missile defence at all is Moscow. So we should at least be clear why we have spent £1bn. It is because our strategists decided that the Soviet Union would not be deterred by a potential retaliatory strike which wiped out Leningrad, Kiev, Kharkov and a few other cities (all undefended sites), but would be deterred by a potential retaliatory strike which wipes out Moscow. The bill for that curious judgment is £1bn.

F. T. Blackaby.
9, Fentiman Road, SW8.

Added value indexing

From Mr J. Locke

Sir,—At last the Government has recognised the importance of wage bargaining in the inflationary process. Now is the time to consider imaginative solutions to the problem of cost—push inflation, discussion of which is obstructed by those who seek simple solutions to an exceedingly complex problem.

Examination of that problem suggests that a system is needed which (a) is imposed by legislation which defies the methodology but nothing more (b) includes an element of indexation without itself contributing to the inflationary process, (c) prevents employers conceding wage demands which they can only meet by price increases. Requirement (b) is not a plea for indexation to the retail price index or average earnings. This itself contributes to inflation through not meeting requirement (c). The proposed method is the statutory index-linking of wage rates to the added value of the firm itself. The inevitable complexities should not deflect us if the method meets the other objectives.

Consider the implications of a bargain struck under such a system. Any rate agreed, or imposed, would be automatically adjusted (upwards only?) on a quarterly basis in line with increases in value added per head for the preceding quarter. This would force both parties to think in real rather than money terms, which itself would be of great value. Employers would be unable to concede an uneconomic pay demand, and then recover it through a price increase, because the price increase would generate a further pay rise and thus be self-defeating.

The procedure is not without attractions for the unions. They would have a high degree of protection against inflation which would, however, be related to their employers' ability to pay. They would benefit automatically from increases in productivity or in increasing prosperity of the employer for other reasons. They should welcome the opportunity to argue about the sharing of a company's wealth, rather than ephemeral money rates of pay.

Statutory added value index linking would bring sanity to the pay-bargaining process. More to the point, it would remove one cause of inflation (very nearly) at a stroke.

John Locke.
14, Wattleton Road, Beaconsfield, Buckinghamshire.

Property values

From Mr J. Line.

Sir,—I write concerning your survey of July 13 and in particular about the yields and property values being obtained on prime commercial properties, especially offices.

The survey included a quotation from a leading firm of agents saying that for prime offices a yield of only 4.5 per cent could be obtained and therefore average annual compound rental growth needs to be in the region of 9.25 per cent if only to match the performance of UK gilt edged stocks. With some justification the article asked the question, "How can a weak UK economy support a seemingly thriving commercial property market?" But I really think the main point has been missed. Government and many others have been saying for some time that the only way this country is going to be able to compete in the years ahead is to develop a capability with regard to the new technology. What everyone accepts is that whether or not this country develops such capability, there will continue to be developments which will have an impact upon all our lives.

Why is it then that those investing in office blocks seem to think that they are immune from this general underlying trend. Could it be that their property analysts are simply not on speaking terms with their colleagues who have taken an interest in technological developments. In particular, why does anyone continue to think that city centre office blocks will still be occupied in ten or 20 years' time unless rentals fall drastically so as to meet the competition from technology. Do those that invest in office blocks really think that British Rail will reduce fare levels so as to encourage present day commuters to continue to suffer deplorable conditions for up to three hours per day? Do they not realise that it will be possible for much more work to be done on a decentralised basis and that the need for office blocks will reduce drastically.

The technology already exists to enable, for example, a firm's filing system to be held electronically thereby permitting access to be obtained by those in a number of different locations. Already pictures have appeared on our television screens showing computer programmers working in their own homes linked up to their firm's computer many miles away. Surely it is only a matter of time before this trend continues to develop and the great majority of clerical work is carried out by people working in their own homes or in small local offices.

Costs of the existing method will simply continue to rise while technology will continue to reduce the cost of alternatives. To imagine otherwise is simply foolhardy.

John Line.
13, Church Street, Milton Regis, Sittingbourne, Kent.

Textile trade

From the Director, British Clothing Industry Association

Sir,—Readers of your leader on "Obstacles to Multi-fibre agreement" (July 13) could be forgiven if they gained the impression that the clothing and textile industries were seeking a super-restrictive regime from a renegotiated MFA. This is not so; our problems partly arise because the current MFA and other agreements have not worked as was intended. The clothing industry asks that this be put right by tightening up the new MFA to give UK clothing manufacturers the confidence in the future of their market which would encourage investment.

Your leader touches on two important points — the excessive barriers to imports in countries like the U.S. and Japan (which means that too large a part of the trade from the developing countries comes to the EEC) and the position of the richer developing countries, who must also share some of the burden by limiting their exports to allow for the lesser developing countries to sell into the Western markets.

These are part of the industries' aims and added to the need, to maintain a clothing industry in the EEC, which is a doctrine fully accepted in Brussels and Whitehall and implies some global limit on imports, and the industries' willingness to share market growth with imports, form the basis of our policy.

This amounts more to a policy of preservation than protection and it is a constant surprise to us that so many seem to dispute it.

G. W. French,
British Clothing Industry Association,
14/16, Cockspur Street, SW1.

The Lloyd's debate

From the Secretary General, Lloyd's

Sir,—On July 13 you published a long letter from Mr N. E. Dangoor which contained a number of serious inaccuracies. I feel that I must highlight a few of them.

More than two-thirds of members are introduced to Lloyd's by managing agents. While capacity may not precisely follow numbers, it tends to do so and therefore Mr Dangoor's estimate that less than 20 per cent of the market's capacity is subscribed through managing agents is grossly inaccurate. However, since the "divorce" requirement of the Parliamentary Committee was based upon the existence of an alleged potential conflict of interest, I do not see the relevance of these figures to a point of principle.

Mr Dangoor states that the so-called immunity clause was left in despite Sir Graham Page's undertaking that the original Clause II would be removed from the Bill and replaced by a bye-law provision. This is not true. Sir Graham's undertaking was complied with. In the second reading debate, however, it was the desire of MPs to see the clause in primary legislation if it was to be granted. Therefore, with the full agreement of Sir Graham, an alternative clause was tabled and accepted by the Parliamentary Committee.

The number of working, external and nominated members of council is laid down in the Bill. Working members may not constitute more than two-thirds of the council. With a council of 27, working members could number 18, not 22 as stated by Mr Dangoor.

He states that the Bill was "rammed through at the Albert Hall," without consultation. On June 25 1980, all members of Lloyd's were sent a copy of the Fisher report, which included a draft of the Lloyd's Bill. On August 20 a questionnaire was sent to all members seeking their support for the principle recommendations of the Report and asking for comments. On October 6 a copy of the Bill incorporating suggestions that had been made was sent to members for the purposes of the Wharncliffe meeting on November 4 when 3,772 members attended and 72 per cent of the membership voted either in person or by proxy. Of those voting, 99.57 per cent were in favour. It is evident that Mr Dangoor's assertion is without foundation.

Mr Dangoor suggests that the working members of council will have permanent control of the council and hence of Lloyd's. This statement ignores the "special resolution" concept whereby decisions on important matters are to be taken by separate majorities of: (a) the working members of council, and (b) the external and nominated members of council.

Until this year, there was no register of working members. Of the 880 new members this year, 186 are working members. I cannot think from where he got the increase of 500.

He goes on to state that he was astonished to discover that external members were not to be notified of two meetings to change a bye-law to introduce postal balloting by members in regard to the Lloyd's Bill. He says "after receiving complaints, the committee decided to send out notices to everyone." This is simply not true. On June 1, the Parliamentary Committee asked Lloyd's to seek the members' views on divestment and divorce. On June 5, the chairman wrote to all members calling meetings to change bye-laws.

It is very important at this time to ensure that the facts are accurately recorded.

J. T. C. Hodges;
Lloyd's,
Lime Street, EC3.

Today's Events

GENERAL

UK: Southampton dockers vote on pay peace proposals.

Special TUC conference to discuss "Women's Health at Risk" document.

The Queen officially opens new Humber Bridge.

Overseas: Lord Carrington, Foreign Secretary, meets Mr Alexander Haig, U.S. Secretary of State, in Washington to discuss Namibia.

Sir Geoffrey Howe, Chancellor of the Exchequer, in Bonn talks with Herr Hans Matthoefer, West German Finance Minister.

Australia's Arbitration Commission emergency meeting on wage fixing system.

Strike by Australian road haulage industry.

PARLIAMENTARY BUSINESS

House of Commons: Motions to approve Norther Ireland Industrial Investment (Amendment) Order and the Northern Ireland Appropriation (No 2) Order.

House of Lords: Education Bill, committee.

OFFICIAL STATISTICS

Retail prices index (June). Tax and price index (June). Industrial and commercial companies appropriation account, financial surplus-deficit and net borrowing requirement (first quarter). Index of industrial production for Wales (first quarter).

COMPANY RESULTS

Final dividends: Black Arrow Group. Illingworth Morris. Stoddard Holdings. Wheway Watson. Wiggins Construct. **Interim dividends:** Lloyds Bank. Robert H. Lowe. Romney Trust.

COMPANY MEETINGS

Anglo-Indonesian Corporation, 123, Kennington Road, SE, 12. John Beales Associated, Boulevard Works, Radford Boulevard, Nottingham, 12. Debenhams, Cavendish Conference Centre, Duchess Mews, W, 12. Delyn, Caerphilly, Mid Glamorgan, 12. Prince of Wales Hotel, Lord Street, Southport, 12. Henry Wigfall and Son, Royal Victoria Hotel, Sheffield, 12. Wornalds Walker and Atkinson, Dewsbury Mills, Dewsbury, 11.30.

Distillers falls £13m year end

SECOND-HALF profits of the Distillers Company, Scotch whisky, gin and vodka group, fell by virtually £10m from £113.1m to £103.2m and left the taxable surplus behind at £181m for the year ended March 31 1981, compared with a previous £193.9m.

The total dividend is maintained, however, at 10.75p net per 50p share, with a same-again final of 7.75p.

At halfway, with profits £3m down at £77.8m, the directors said that results for the full year would fall substantially short of 1979-80.

Turnover for the 12 months moved ahead to £1.04bn (£1.01bn) and was split as to: UK sales (excluding duty) £253.5m (£256.9m); other markets £471.9m (£445.1m); duty £315.9m (£308.1m).

Scotch whisky sales were down in volume, partly as a result of customers destocking in the difficult economic conditions, but also because consumer demand was disappointing in several important markets, the directors explain. Gin sales were similarly affected.

Shipments in the final quarter ahead of export price increases were, however, "surprisingly high in view of the general climate and resulted in an unexpectedly strong finish to the year."

The food group was unable to maintain margins in the face of keen competition and increasing costs, with the result that profits were less than half those of 1979-80. Distillers Co. (Carbon Dioxide) managed to achieve a small advance.

The group's associate, United Glass, was particularly severely affected by the recession and, after redundancy costs, suffered a substantial loss—the group's share was £2.8m, compared with a £5.4m profit last time.

Pre-tax figure included investment income of £5.5m (£4.1m), a £3.7m (£7.6m) surplus on realisation of investments, a £0.1m exchange gain (£1.4m loss), and share of associate, and was struck after interest charges of £5.2m (£5.4m).

Tax, which took £56m (£49m), was reduced by £35.2m (£48.6m) in respect of stock relief and the effect of accelerated capital allowances, and other timing differences.

After minority interests of £0.1m last time, and an extraordinary debit of £1.7m (£3.6m credit)—which included expenditure relating to Thalidomide of £0.5m (£1m)—the attributable balance came through at £123.3m against £148.3m.

Dividends again absorb £39m leaving £84.3m (£109.3m) retained. Earnings per share, based on profit before the extraordinary items—£125m (£144.7m)—were 34.42p compared with 39.84p.

Current cost accounting reduces the pre-tax figure to £37m (£102.8m) and earnings to 10.77p (17.1p).

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Hollis ESA passes dividend

AFTER A £1.87m turnround to a £1.37m loss at midway, Hollis Bros. and ESA ended the March 31 1981 year in the red by £4.82m and is passing the dividend.

Last year there was a surplus of £339,126 and a single dividend of 1.4p net per 25p share was paid.

Turnover of this timber importer, sawmiller, woodwork manufacturer fell from £56.84m to £45.58m for 1980-81 and the directors state that results confirm the trend in trading which occurred in the last quarter of the previous year.

Pre-tax figure was after interest charged of £2.61m against £2.22m, but before a tax credit amounting to £717,131 compared with £262,907.

After an extraordinary debit of £1.09m (£225,629) loss came out at £5.19m against a profit of £366,504.

Figures for the period include substantial write-downs in stock values as a result of the fall in timber and allied product prices.

● comment

The bald figures suggest strongly that Hollis Brothers & ESA has been one of the timber importers worst affected by the slump in softwood prices. Its pre-tax loss of £4.82m (against the earlier profit of £329,000) includes "substantial write downs in stock values." After extraordinary items and tax credits, the attributable loss brings net worth down from £11.4m to £6.3m, or 69.3p per share. The market capitalisation is £2.72m at 30p, down 1p yesterday. The accounts, due early next month, will give a better indication as to whether Hollis has reached bedrock and thus how much potential is offered by the apparent discount on asset values. The shares remain extremely volatile meantime despite the steady accumulation by Industrial Equity (Pacific) which at the last count held 19.6 per cent.

Rothmans down £9.3m but dividend lifted

FOLLOWING A slight increase from £39.2m to £40.8m midway, Rothmans International, the tobacco, luxury consumer products, brewing and energy group, ended the March 31 1981 year at £71.2m pre-tax, a drop of £9.3m on the previous 12 months.

The dividend is stepped up, however, to 3.65p (3.11p) net with a final payment of 2.65p per 12½p share.

Sales for the period slipped to £2.38bn (£2.48bn) and with operating profits of £85.1m (£102.3m) were split as to: tobacco £2.12bn (£2.22bn) and £62.7m (£84.1m); luxury consumer products £63m (£68m) and £4.7m (£6.9m) brewing £197m (£151m) and £15.5m (£9.5m); energy £5m (£4m) and £2.3m (£1.8m).

The overall volume of cigarette sales by member companies and associates was maintained at the high level of the previous year, directors state.

Sales increases were obtained in a number of markets, but were offset in others due to the effects of recession, as well as consumer resistance to higher prices which arose largely from increased tobacco tax.

Cigarette trading profits and export earnings in currency terms increased in many areas and there were modest improvements overall in declining markets for cigars and smoking tobaccos.

Trading conditions in the UK were difficult throughout the year, the directors state, and profitability in this market was substantially reduced.

Overseas operations were again adversely affected by the strength of sterling, and the decline in profits from the group's tobacco interests, attributable to these factors, was about £15m, before tax.

Pre-tax figure included associate profits of £16.3m against £11.4m, but was struck after interest charges of £17.5m (£19.3m) and interest on convertible bonds amounting to £12.4m compared with £13.8m.

After a tax charge of £35.2m (£33.3m) and minorities' interest, £15.8m (£14.2m), the attributable balance came out £12.5m down at £20.3m.

Basic earnings per share are shown as 12.9p (21.1p) and 9.5p (14.9p) fully diluted.

On a CCA basis pre-tax profits are reduced to £52.6m (£67.9m).

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HIGHLIGHTS

On a busy day for company news Lex looks at the latest results from Distillers where the second half has come through a lot better than had been feared thanks to a strong last quarter, leaving the full-year profit just £12.9m down at £181m. The column then moves on to consider the annual figures from Rothmans International, a company which has been the object of some strange international manoeuvres recently. Unigate has come out with a 26 per cent fall in profits to £38m for the year to March and Great Universal Stores has produced a marginal increase in profits to just under £180m. Lex also briefly looks at the market on the day that the BP rights shares not taken up were placed, and the full June money figures were released. On the inside pages there is a sharp fall in profits from Gestetner and a dramatic collapse into the red from timber merchant Hollis Bros.

R. Dutch/Shell hit by U.S. accounting rules

SECOND QUARTER figures from the Royal Dutch/Shell Group will include between £400m and £450m of currency translation losses solely as a result of "totally inappropriate" U.S. accounting standards, the group warned yesterday.

The figures are not due to be published until next month, but Royal Dutch/Shell took the opportunity yesterday of complaining bitterly about the U.S. standard FAS8 with which it must comply because of the U.S. listing of the parent company.

FAS8 requires companies to translate their stocks and fixed assets into the currency in which consolidated accounts are prepared at the exchange rate applying when they are acquired. Monetary assets and liabilities like cash and long-term debt, however, are translated at the rate of exchange at the end of each accounting period.

The effect of this on oil companies has been extreme. Shell Oil of the U.S., in which the group has a 69 per cent interest, for example, had first quarter earnings of $361m. On consolidation into sterling this translated into a net loss of £8m.

Since then the value of the pound against the dollar has fallen by 13 per cent and on that basis complying with FAS 8 will result in the translation losses estimated.

Together with other oil companies Royal Dutch/Shell has been lobbying vociferously for a change in the standard, which it believes "constitutes a major obstacle to the understanding of underlying business trends."

The American Financial Accounting Standards Board has listened to the complaints and produced a new exposure draft which could be translated into a new standard within the year. This adopts a different approach to foreign currency translation for international groups whose borrowings in a variety of currencies are backed by revenues and assets in those currencies.

This may, therefore, be the last year in which Royal Dutch/Shell will be subject to the ravages of currency translation fluctuations to the same degree.

Bristol Evening Post tumbles but pays more

PRE-TAX PROFITS of the Bristol Evening Post, newspaper proprietor, fell sharply from an adjusted £2.6m to £1.06m for the year to March 31, 1981 despite a slight improvement in turnover to £27.43m, compared with £26.02m.

At midyear profits of £1.36m had been turned into a loss of £67,000, but in their interim statement the directors said following a return to normal working trading had reduced the early deficit. They warned, however, that in the second quarter there had been some decline in advertising revenue.

At that time they expected to at least maintain the total dividend at 9.75p but have now declared a final of 7.75p (6.5p) which raises the total to 11p net.

Tax for the year took £425,000 (£1.2m) after which stated earnings per 25p share dropped from 23.06p to 10.95p.

The figures include extraordinary credits of £24,000 (£125,000 debit).

● comment

Bristol Evening Post's staunch bid defence against the aspirations of its major shareholder, Associated Newspapers, was well-founded. In March AN bid 190p for the company when its fortunes were perceived to be at a low ebb after an interim loss. The company's midway show of confidence in the form of a promised maintained final proved a better guide. The half way loss was due to revenue foregone as a result of the NGA dispute, falling advertising revenue and squeezed margins on newspapers. The second half earnings picture was improved by a full six month benefit of the August cover price rise and advertising began to pick up from January onwards. Full-year profits received a helpful push from £173,000 net interest receivable compared to £104,000 the previous year. The current year appears to have started well. Advertising revenue is slowly increasing and the interim results will benefit from the 2p cover price rise in March. Plans are also underway to expand Kiosks, its retail arm, through new acquisitions and improvement of existing shops. This will be financed by cash flow. The shares at 196p yield 8.3 per cent on a 19 per cent higher final dividend. The market capitalisation is £8m.

Allnatt above forecast

BETTER than expected profits and a net final dividend of 3.4p, which lifts the total payment from 3.7p to 4.4p, are reported by Allnatt London Properties for the year to March 31, 1981.

At the interim stage, when taxable profits advanced from £2.33m to £2.83m, the directors reiterated their forecast that the full year result would exceed £6m. In the event it turned in some £1.54m higher at £6.73m.

Tax for the 12 months took £3.13m (£2.46m), leaving net profits ahead from £2.73m to £3.6m and earnings per 25p share up from 7.06p to 9.31p.

Second half lifts GUS to £179m

AN IMPROVEMENT in the second half has lifted pre-tax profits of Great Universal Stores to £179.53m for the full year to the end of March, compared with £172.75m.

At the interim stage, profits were virtually static at £76.91m (£76.45m).

Earnings, after tax of £78.41m (£76.64m) are shown up from 38.53p to 40.64p per 25p share and the directors are stepping up the net dividend total from 11.625p to 12.5p with a final of 8p.

The attributable surplus was ahead at £102.08m against £97.02m after extraordinary credits of £1.06m (£0.99m). Dividends absorb £31.08m (£28.9m), leaving a retained balance up from £68.12m to £71m.

Turnover of the group, whose activities embrace mail order and retail sales, manufacturing, finance, property and travel, expanded to £1.76bn (£1.74bn), including VAT of £178.47m (£162.46m).

Provisions for unearned profit, service charges and collection costs stood at £142.32m at the balance date, compared with £137.16m a year earlier.

The pre-tax surplus was struck after depreciation of £31.39m (£24.31m).

A valuation of the group's freehold and leasehold properties at March 31 1979 disclosed a surplus over book values in the region of £250m, of which some £220m related to freehold and leasehold properties of over 50 years' tenure.

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Ailsa Trust may change its investment direction

Ailsa Investment Trust, an Edinburgh-based trust with a portfolio based largely in UK investments valued at £12.35m at the last balance sheet date in May 1980, is likely to change its investment direction in the near future—possibly becoming more internationally-orientated.

The trust said yesterday that an approach had been received "which may lead to proposals being put to shareholders concerning the future development of the company." Cornhill Insurance holds almost 27 per cent of Ailsa.

Morgan Grenfell, Ailsa's bankers, said that the approach was related to reducing the level of discount at which the shares of Ailsa traded with relation to its underlying net asset value.

At present, Ailsa's net asset value is estimated to be about 218p a share and with the shares standing at 205p at the close last night, the discount to assets is just under 6 per cent. However, before the announcement was made, the shares stood at 188p, representing a discount to assets of 13.8 per cent. The average discount for investment trusts generally is around 28 per cent.

A number of investment trusts have recently improved their price/asset ratios by restructuring their investments into more popular areas. Others have used the procedure of partial unitisation of their shares to close the discount gap.

Some trusts have adopted the approach of altering their articles of association to give them the option, if shareholders wish, of winding up the trust at the end of each year and realising the assets, and of enforcing the wind-up of the trust at a certain time in the future. GT Global Recovery was floated recently on this basis, with an enforced winding-up date in 1988.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Allied Colloids	2.09	Oct. 10	1.9	2.73	2.54
Allnatt London Props.	3.4	Sept. 11	3.2	4.4	3.7
Bristol Evg. Post	7.75	—	6.5	11	9.75
Crossfriars Tst.	4.5	Oct. 9	4¾	6.5	6†
Daily Mail & Gal. Tr. int.	11	Sept. 3	9.5	—	27.5‡
Distillers	7.75	Oct. 9	7.75	10.75	10.75
Durapipe Intl.	0.1	—	1.98	0.1	2.8
Eurotherm Intl. int.	1.5	—	1.5	—	4.5
G. M. Firth	1.5	—	1.5	—	3
Gestetner int.	1.25	Sept. 14	2.5	—	5.25
Glasgow Stockhldrs. int.	0.95	Aug. 21	0.88*	—	2.13*
GUS	8	Dec. 23	7.13	12.5	11.63
Philip Harris	4.75	Aug. 27	4.05	6.2	5.5
Haslemere Est.	4.56	Oct. 2	3.95	6	5.2
Illingworth Morris	nil	—	nil	nil	0.55
Hollis ESA	nil	—	1.4	nil	1.4
Howden Group	2.67	—	2.27	4	3.6
London & Midland Inds.	4.85	—	4.85	7.75	7.75
Phillips Patents	1	—	1	—	2
Rothmans Intl.	2.65	Oct. 1	2.11	3.65	3.11
Trustees Corp.	1.85	Sept. 18	1.85	2.95	2.75
Unigate	4	Oct. 1	3.7	6.2	5.7
Wheeler's Restaurants	4.33	—	4.33	5.88	5.88

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes special non-recurring payment of 1.5p. § Not less than 2.2p forecast. ¶ Including 0.3p non-recurring payment.

Mrs Mason calls for dismissal of Illingworth chief executives

BY REG VAUGHAN

THE SCENE was set yesterday for another boardroom battle at Illingworth Morris, the troubled Yorkshire textile group which manufactures men's overcoats under the Crombie label, as Mrs Pamela Mason, a director and influential shareholder in the group, called for the dismissal of the group's three chief executives. The move is to be "vigorously contested" by the UK directors.

In a telexed message from her home in Beverley Hills, California, Mrs Mason, former wife of Mr James Mason, the film actor, has requested the resignation of Mr Donald Hanson, the chairman, the joint executives, Mr Peter Hardy and Mr Tommy Yeardye.

Mr Yeardye, who was at one time managing director of Carmen Curley Company of North America, a managing director of D. Vidal Sassoon and a former escort of Miss Diana Dors, joined the board in September 1979 with the support of Mrs Mason. Mr Hanson was appointed chairman in August 1980.

The message from Mrs Mason, who has a 46 per cent stake in the company, but in practice controls over half of the shares that are eligible to vote, coincides with the publication of the group's annual results showing a loss for the year ended March 31 1981 of £2.41m—little changed from the deficit of the previous year.

Shareholders get no dividend against 0.55p last time. The news left the shares unchanged at 17p.

Mrs Mason refers to "the enormous losses of the past two years, the passing of the dividend for the first time, and losing the confidence of Lloyds and Barclays banks. She says that notification of an EGM has been served and a new management team will be announced shortly.

In a statement released last night the UK board members of the group say that they have noted the contents of the message from Mrs Mason and both Mr Hanson and Mr Hardy state "very firmly that they have no more they state that no notice convening an EGM has been received by the company.

The board further points out that Mr Yeardye was an appointee of Mrs Mason and when he was re-elected at the annual meeting in 1980 he was supported by the votes cast by Mrs Mason on behalf of the companies which hold the shares for the executors of her late father's and uncle's estates.

Mrs Mason inherited her stake in the company from her father Mr Isidore Ostrer, who helped to build up the company with his brother Mr Maurice Ostrer.

The UK board members feel that Mrs Mason's statement does "scant justice to the hard work and dedication of all employees of Illingworth in a period of exceptionally difficult trading conditions."

They regret that by her announcement "Mrs Mason has felt it necessary to damage the company in this way." They point out that despite the loss, pre-tax profits in the first two months of the current year are encouraging and borrowings at the end of March had been reduced by over £5m.

The board members say that any resolution calling for the resignation of executive directors will be vigorously contested.

The group, which recently agreed £25m of borrowing facilities from four major UK clearing banks, says that the difficult trading conditions of last year continued unabated throughout most of this year, and the massive de-stocking by UK textile makers-up and retailers created substantial overcapacity problems in the group's plants.

Further mill closures and reduced operations elsewhere cost the group £1.814m, of which £1.660m is of an extraordinary nature. Profit on disposal of investments amounted to £0.134m.

The directors say that stringent financial control enabled the group to invest £1.7m in new plant, to absorb the trading losses and to reduce its net borrowings by £5.23m during the year to £19.475m. Stocks were lower by £8.4m, debtors by £1.7m and creditors by £2.6m at the year-end.

	1980-81 £000	1979-80 £000
Turnover	87,515	109,721
Trading profit	1,739	1,908
Bank interest	3,990	3,904
Loss	2,251	1,996
Reorganisation Exps.	154	467
Loss before taxation	2,405	2,463
Tax relief	639	1,009
Loss after tax	1,766	1,454
Minority interests	119	53
Extraord. items	1,526	1,992
Dividends	91	305
From reserves	3,502	3,804

LONDON TRADED OPTIONS

July 16 Total Contracts 1,369. Calls 1,093, Puts 276

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	280	22	6	40	4	50	—	302p
BP (c)	300	6	109	28	12	40	11	"
BP (c)	320	1	42	15	165	30	5	"
BP (c)	350	¼	—	7	15	18	8	"
BP (c)	380	¼	—	4	9	10	—	"
BP (c)	410	¼	—	1½	—	6	5	"
BP (p)	280	1	10	8	—	11	—	"
BP (p)	300	6	77	15	106	19	10	"
BP (p)	320	20	—	23	2	28	2	"
BP (p)	350	50	—	52	—	52	50	"
CU (c)	140	46	1	54	—	58	—	182p
CU (c)	160	26	8	37	20	42	1	"
CU (c)	180	8	32	22	59	28	32	"
Cons. Gld (c)	460	6	—	35	—	47	7	456p
Cons. Gld (c)	500	1	—	18	22	35	—	"
Court'lds (c)	60	6	11	10½	1	16	6	65p
Court'lds (c)	70	¾	—	5	10	9½	—	"
GEC (c)	550	185	2	200	2	88	—	733p
GEC (c)	700	35	7	62	—	55	—	"
GEC (c)	750	3	15	32	2	—	—	"
Gr'd Met. (c)	140	73	10	74	—	—	—	212p
Gr'd Met. (c)	160	53	10	54	—	—	—	"
Gr'd Met. (c)	180	33	1	36	—	45	—	"
Gr'd Met. (c)	200	13	10	22	—	29	—	"
Gr'd Met. (c)	220	1	—	9½	—	16	1	"
ICI (c)	240	32	5	32	—	—	—	272p
ICI (c)	260	14	15	30	3	40	—	"
ICI (c)	280	2	2	19	—	30	—	"
ICI (c)	330	½	—	5	6	11	1	"
Land Sec. (c)	336	10	9	29	1	38	—	346p
Land Sec. (c)	368	½	1	12	1	—	—	"
Mks & Sp (c)	110	23	—	28	2	—	—	132p
Mks & Sp (c)	120	13	30	19½	6	26	—	"
Mks & Sp (c)	130	4	52	11	—	17½	—	"
Mks & Sp (c)	140	½	—	6	2	11½	—	"
Shell (c)	330	46	—	54	1	64	—	374p
Shell (c)	360	16	19	30	3	44	5	"
Shell (c)	390	1	—	16	2	28	2	"
Shell (p)	420	1	—	7	5	15	1	"
		August		November		February		
Barclays (c)	390	60	1	67	2	88	—	446p
Barclays (c)	420	32	15	43	—	58	—	"
Barclays (p)	460	8	17	25	15	37	2	"
Imperial (c)	60	5½	—	6½	5	9	—	63p
Imperial (c)	70	1	—	3	—	5	7	"
Imperial (c)	80	1½	—	1	—	2	5	"
Lasmo (c)	550	29	5	60	1	87	—	552p
Lasmo (c)	600	8	—	40	—	60	—	"
Lonrho (c)	90	4½	9	9	36	11½	3	92p
Lonrho (c)	100	1½	12	4½	60	6½	29	"
Lonrho (p)	110	¾	6	2½	—	—	—	"
Lonrho (p)	90	3½	1	5½	—	6½	6	"
Lonrho (p)	100	10	—	13	—	14	8	"
P & O (c)	120	6	1	12	—	15½	—	120p
P & O (c)	130	2	3	6½	—	10	2	"
P & O (c)	140	¾	10	3	—	5½	—	"
Racal (c)	420	10	—	30	3	41	2	413p
Racal (p)	330	¼	—	3	4	6	—	"
RTZ (c)	550	15	5	40	1	55	1	526p

Daily Mail and General Trust

Net revenue of Daily Mail and General Trust fell slightly from £3.83m to £3.66m in the half-year to March 31 1981 and of this total £1.35m against £1.52m is attributable to the Trust. The figure includes a proportion of profits of the associated company, Associated Newspapers Group.

Net revenue from investments other than ANG was £670,000 (£832,000, including £155,000 from deferred dividends from Shell).

The interim dividend is 11p (9.5p)—last year's total was 27.5p which included a special non-recurring payment of 1.5p. Stated earnings per 50p share are down from 15p to 13.4p.

INVESTMENT TRUST

Foreign and Colonial Management is launching a new investment trust to specialise in small unquoted companies in the UK, U.S. and Japan.

F. and C. Enterprise Trust is raising £10m by way of an offer for sale next week of 50m shares at 20p per share, of which 12½p is due on application and the remainder by November 2.

Morgan Grenfell is underwriting the offer and Laing and Cruickshank are brokers.

SPAIN

July 16	Price %	+ or −
Banco Bilbao	322	
Banco Central	357	
Banco Exterior	350	
Banco Hispano	298	
Banco Ind. Cat.	121	
Banco Santander	357	
Banco Urquijo	225	
Banco Vizcaya	351	+2
Banco Zaragoza	235	
Dragados	198	−7
Espanola Zinc	86	−1
Fecsa	66	+0.5
Gal. Preciados	45	−2.5
Hidrola	73.5	−0.5
Iberduero	50	−0.5
Petroleos	121	−3
Petroliber	90	−2
Sogefisa	59	
Telefonica	76	
Union Elect.	70	

BIDS AND DEALS

27% UEI stake changes hands in £10m placing

A STAKE of just over 27 per cent in United Engineering Industries, the Manchester heating system, TV camera and electronics group, changed hands yesterday in a deal worth almost £10m.

At the same time, the fast-expanding UEI also announced the acquisition of an Essex-based specialist precision engineering company for a maximum of £9.3m depending on profit performance.

Mr Ian Skipper and Mr Len Jagger, who have been associated with the company for the past 10 years, have sold 5,190,000 shares, reducing their stake to around 20 per cent. The shares have been placed with various institutions at 190p pe rshare. This compares with yesterday's closing share price of 205p, down p.

The sale is part of a reorganisation of the family finances of Mr Skipper and Mr Jagger, who are business partners. Although they have been associated with the company they have never been involved in the day-to-day running of the UEI business. Mr Skipper and Mr Jagger have agreed to retain the balance of the holdings for a minimum of 12 months.

Mr Jagger said that the sale of the shares had nothing to do with "our aspirations for the company—I have never been more confident about its future."

He said that the sale gives institutions a chance to invest in the company — they had previously been unable to buy into the group because of the large proportion of shares controlled by the directors.

UEI announced that it had reached agreement to acquire the Yewlands Group of Hainault, Essex, which is engaged in specialised precision engineering services to the aerospace, radar, telecommunications, nuclear and automotive industries. The acquisition is in line with UEI's policy of expansion into fields of high technology and specialised engineering.

The initial consideration payable by UEI is £6.5m (by way of an issue of 3.13m shares). Should the Yewlands Group achieve pre-tax profits in the two years to March 31, 1983 aggregating over £3.2m, a maximum further consideration of £2.8m becomes due.

Of the shares issued in connection with the acquisition, 1,284,412 have been placed. The placings of a total of 6,474,412 shares realised a total of £12.3m. Brokers to the placings were Sheppards and Chase and Cazenove and Company.

S & W BERISFORD PURCHASE

S. & W. Berisford, the commodities trader, has acquired the entire capital of Allan Aluminium, a privately-owned aluminium and metal products stockist based in Hertfordshire, for £1.68m.

Allan will extend the activities of Tom Martin Metals Group, Berisford's secondary metals subsidiary, to include the distribution of rolled and extruded non-ferrous metal products, Allan said yesterday.

G. H. DOWNING

Steetley announces that acceptances of its offer for G. H. Downing have been received in respect of the equivalent of 4,903,582 existing Downing ordinary shares, representing 81.3 per cent of the capital. Steetley owns the equivalent of 4,958,082 ordinary shares, representing 82.2 per cent of the capital.

The offers have been declared unconditional as to acceptances and have been extended.

Elections to receive cash have been received in respect of the equivalent of 2,874,741 Downing shares, representing an aggregate cash consideration of £7.6m. Under the terms, the aggregate cash payable by Steetley will not exceed £5.5m. The right to elect to receive cash has been extended to July 31.

CHUCHBURY LAW LAND

Churchbury Estates has acquired an interest in 3,361,000 ordinary shares in Law Land (8.73 per cent) for which it has launched a reverse takeover bid. L. Messel and Co., brokers to Churchbury, yesterday bought 150,000 Law Land ordinary shares at 113½p, 100,000 at 115.3p and 750,000 at 117½p on behalf of the London Trust Company.

Lloyds Bank International, advisers to Law Land, yesterday purchased 5,000 shares at 119½p. Prior to this purchase the bank held no shares in Law Land.

DELTA COMPLETES AUSTRALIAN SALE

Delta Group has concluded the sale of its wholly-owned Australian brass rod subsidiary, Extruded Metals Pty. Sale proceeds amount to A$14.2m and were paid in cash on July 15, plus repayment of loans of A$1.9m over two years, equivalent, at the current exchange rate, to about £9.8m.

The funds will be retained in Australia for reinvestment in due course in new growth areas.

Value of net assets at January 3 1981 and of the loans to be repaid, converted at the current exchange rate, is £4.5m. Profit before tax for 1980 was £1.2m.

Catalin suspended

The listing of Catalin, the industrial resins and resin-treated paper manufacturer, was *suspended* on the Stock Exchange yesterday pending an announcement. The company would not comment on the reasons for the suspension, but said a further statement could be expected early next week.

Wix International of the U.S. held 40 per cent of the company as at December 31 last year. E. F. Robbins (U.S.) held a further 8 per cent and Jove Investment Trust had 9 per cent. The directors of the company controlled 2.66 per cent.

In the year ended December 31, Catalin turned in a pre-tax loss of £575,761, compared with a pre-tax profit of £424,793 the previous year, on turnover of £7.4m (£9.4m). The company passed its dividends for the year (3.8p). During the year, the company closed down operations of its Wix (UK) subsidiary, which produced air filters.

British Sidac reconstruction

Management functions of British Sidac, a manufacturer of transparent cellulose film, will be transferred to a new holding company under a planned reconstruction.

The new company, British Rayophane, was formerly a dormant wholly-owned subsidiary of Sidac. It has been sold to UCB (Investments), which holds all the ordinary shares of Sidac and is itself a wholly owned subsidiary of UCB SA Brussels.

British Rayophane will purchase from UCBI British Sidac's ordinary capital and, subsequently, its remaining subsidiaries.

British Rayophane will also offer one of its 5.25 per cent cumulative £1 preference shares for each 7 per cent cumulative preference share of British Sidac.

In addition, a meeting will be convened at which holders of British Sidac's 5¾ per cent debenture stock 1985/90 will be asked to approve amendments to the stock's trust deeds, including an increase in the rate of interest payable to 6 per cent.

As part of the restructuring, British Sidac capitalised some £1.4m of its accumulated reserves on June 19 and issued 2,836,356 fully paid new ordinary shares of 50p each to UCBI.

RMC £12m German lime deal

BY KEVIN DONE IN FRANKFURT

Readymix Concrete of the UK is to acquire a 49 per cent interest in one of the leading West German lime and limestone producers in a deal worth around DM 55m (£12m).

It is purchasing the stake from the troubled German-Dutch steel group, Estel Hoesch, which currently holds some 83.5 per cent of Rheinisch-Westfalishe Kalwerke.

Readymix could well move at a later stage to acquire a larger stake in RWK, and it is possible that the remaining Estel-Hoesch interest will be parked temporarily with one of the leading West German banks. A further interest of some 5.33 per cent in RWK is held by Thyssen, one of the leading West German steel groups.

RWK, which had an after-tax profit of DM 6m and a group turnover of DM 775m last year, has a workforce of some 3,500 and important production interests in France and Holland.

The company is thought to control around 70 per cent of the West German lime and limestone market.

Only some 13 per cent of group turnover is now derived from the West German steel industry, however, and apart from the diversification into France and Holland the company is also active in building materials production and trading, sand and gravel production, aerated and ready-mix concrete.

Estel-Hoesch has decided to sell its interest as part of an attempt to streamline its activities.

The UK group already has major ready-mixed concrete, sand and gravel interests in France, through its wholly owned subsidiary RMC France. It is also the largest producer of ready-mixed concrete in West Germany through its 63.6 per cent owned subsidiary Readymix AG.

COMPUTER SERVICE

A new company to provide a computer output microfilming service has been established with £80,000 backing from Gresham Trust and ICFC. Called COMLINK, the company has been set up by Mr Eddie Jackson and Mr Robin Humble who formerly operated and marketed a similar service for a clearing bank.

GOLDMAN PURCHASE

H. Goldman Group has reached agreement with Mr Leslie Rose and Mr J. E. Bollom for the acquisition from them of the whole of the issued share capital of Blue Chip Marketing.

Blue Chip is a private company which commenced trading on November 1 1980 in the domestic hardware field. It will become a part of the Goldman's domestic hardware division.

In the period from November 1 1980 to December 31 1980 Blue Chip made pre-tax profits of £64,000. At December 31 1980 *the net tangible assets of the* company were £38,110.

The total consideration for the acquisition will amount to £75,000, to be satisfied by the issue of 500,000 ordinary shares of Goldman.

HOLLIS BROS.

As a further stage in its reorganisation Hollis Bros. and ESA is negotiating to sell to Southerns-Vans, the freehold premises, stock and sundry plant used by Hollis (Leicester) a subsidiary company. The cash consideration is estimated at £700,000, which will be used to reduce bank borrowings.

STERLING CREDIT

The Sterling Credit Group has completed the sale to Hartley Cooper Holdings of its subsidiaries, Dewey Warren (Insurance Services) and Dewey Warren (Home), which comprise the whole of its UK direct *insurance broking interests*. Sterling continues to own Dewey Warren and Company, which is engaged in the business of marine and re-insurance broking and is based in the City.

Total monies received or receivable by Sterling are expected to amount to £275,000. It is Sterling's intention to continue to expand and develop Dewey Warren and Company within its existing sphere of operations.

REXMORE SALE TO BRITISH VITA

Rexmore has sold the fixed assets, together with stock and business, of its wholly owned subsidiary S. A. Driver and Company to the British Vita Group. Total consideration is estimated at £850,000 cash and will be satisfied within 90 days. Driver made an estimated loss before tax of £7,000 for the year ended March 31 1981 (profit £149,591).

Rexmore estimates that net tangible assets attributable to its interest in Driver on completion on July 17 1981 will be not less than the estimated figure as at March 31 of £1.24m. After receipt of the consideration monies collection of debtors and payment of creditors, this amount will be represented substantially in cash.

The disposal will enable Rexmore to reduce borrowings and allow management to concentrate on those sectors of the group which have made sustained progress over the years, and which are expected to contribute to the growth of Rexmore in the future.

It is intended that the business will continue to be operated as an independent unit complementary to the British Vita group's existing fabric processing operations.

GUNNEBO/ A. BURGESS

Gunnebo Limited of Ashford, Middlesex, has acquired Andrew Burgess (Lifting Gear), main distributor of the Ramnas group's range of lifting, fishing, lashing chains and fittings products. The acquisition follows the purchase of Ramnas by Gunnebo Bruks AB, of Sweden, progressive chain manufacturer.

N. SEA ASSETS ACQUISITION

North Sea Assets has acquired a 25 per cent interest in the equity of S. Buxton Offshore Marine (Edinburgh), at a cost of £750,000, and has also subscribed for an issue of £900,000 unsecured loan stock 1988.

These funds are being used, together with finance made available by SBO's bankers, to acquire the capital of Peterhead (BOC) Base.

SBO is an engineering and fabrication company based at Granton Harbour in Edinburgh, which has over the past four years established itself in the offshore industry.

The Peterhead base is an offshore support and supply facility offering a wide range of services for North Sea activity.

NEI/APE

Northern Engineering Industries, which has made a £25.6m contested bid for Amalgamated Power Engineering, purchased 1,505,00 ordinary shares in APE yesterday at 140p and now holds 8.2 per cent of the issued ordinary capital.

Rothschild Asset Management, a subsidiary of N. M. Rothschild and Sons, NEI's adviser, has sold 30,000 ordinary shares in NEI at 82½p for the account of a discretionary investment client.

BRANON

Branon has completed the acquisition of Ryeland Fabrication for £150,000 cash and the issue of 75,000 shares of £1.

Ryeland is a private company, engaged principally in the manufacture of general metal fabrications and fluid handling systems. Its main assets are its workshop building and its plant and machinery; its net assets as at March 31 1981 were £81,160.

LOWLAND DRAPERY

Lowland Drapery Holdings has contracted to sell the retail credit and personal loan debt of its subsidiary, R. Watson and Sons, to H. T. Greenwood. The cash consideration of approximately £390,000, will be based on debtor balances.

Watson which will cease its activity of credit and check trading in clothing and drapery, made a pre-tax loss of £23,000 in 1980.

Proceeds will be used to reduce group borrowings.

NO PROBE

The proposed merger between TRW Inc and International Ceramics is not being referred to the Monopolies Commission.

Unigate falls £13m to £38m

REDUCED DEMAND and profit margins have brought a sharp decline for Unigate, the dairies, grocery, meat products and transport group in the year to the end of March.

Pre-tax profits in a year Mr John Clement, chairman, describes as "exceptionally difficult" fell to £38m, compared with the record £51.4m 12 months earlier.

At midway profits were down from £18.3m to £14.5m and the chairman said then that difficult trading conditions were aggravated by the Government's award of a milk price rise which was insufficient to meet rising costs. The fall in second-half profits was more pronounced, from £33.1m to £23.5m.

Nevertheless, the group is in excellent physical shape, say the directors. An ambitious capital expenditure programme designed to improve efficiency and cut costs has been carried out, and the balance sheet strengthened.

They intend to increase the year's dividend total from 5.7p to 6.2p net with a final of 4p.

Turnover improved from £1.24bn to £1.35bn and the taxable surplus was struck after reduced interest charges of £2.4m (£3.6m) and associates of £400,000 (same).

Tax took £6.5m (£10.1m) and minorities £300,000 (£500,000) and there was an extraordinary credit of £13.1m (£18.7m), mainly from the sale of the group's French and Italian meat interests.

Attributable profits emerged at £44.2m (£59.4m), of which dividends absorb £13.5m (£12m).

Basic earnings per 25p share are shown down from 19.55p to 14.57p.

Mr Clement says that apart from the very late rise in the milk price, profits were affected by intense competition in the grocery trade, which put severe pressure on the margins of all the group's products, and reduced demand for cooked meat products.

A breakdown of total trading profits of £40m (£54.6m) by division shows: milk and milk products £29.9m (£43m), meat and meat products £3.4m (£5.9m) and transport, garages and other activities £6.7m (£5.8m).

Geographically, the UK trading surplus fell from £45.9m to £30.2m, while profits from the U.S. and other countries were ahead at £3.5m (£2.1m) and £6.3m (£3.6m) respectively.

Current cost adjustments reduce the pre-tax profit to £23.5m (£34.8m).

A £63.2m surplus from the revaluation of properties has been credited to reserves and goodwill of £77.3m in the balance-sheet has been written off. Shareholders' funds at the balance date were ahead from £280.7m to £301.7m. Fixed assets amounted to £278m (£176.9m) and net current assets £61.8m (£49m), including short-term borrowings of £32.1m (£77.3m). Medium and long-term borrowings increased from £41.1m to £71.9m. Net asset value per share is up from 103p to 139p.

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Howden Group higher at £7.75m: payout totals 4p

AN INCREASE of £210,000 to £4.7m in the second half helped Howden Group to report higher pre-tax profits of £7.75m against £7.51m in the year to April 30, 1981. Turnover of this holding company with interests in engineering, and design and manufacture of air, gas and fluid handling equipment, rose from £101.95m to £115.24m.

The final dividend is raised from 2.27p to 2.67p for an improved net total of 4p (3.6p).

The pre-tax figure was struck after net interest charges up from £977,439 to £1.4m. After tax of £2.56m (£2.72m), minority credits of £24,510 (nil), and extraordinary debits of £264,000 (£453,818), attributable profits came out at £4.95m compared with £4.34m. Stated earnings per 25p share advanced by 1p to 17.6p.

The directors say that at April 30, 1981 cash and term deposits amounted to £6m, while short-term borrowings, including bank overdrafts, amounted to £11.1m—a marginal change from last year. Shareholders' funds increased from £24m to £28.8m.

On a CCA basis the pre-tax profit was £5.31m.

Commenting on the group's various operations during the year, Mr Norman Elliott, the chairman, says James Howden and Godfrey Group had a good year and made a major contribution to group profits. In the current year this company has received contracts totalling approximately £75m to supply gas circulators for the nuclear power stations at Heysham II and Torness.

The directors say the group's order book stands at a record level and liquidity remains satisfactory. It is anticipated that the group will perform satisfactorily in the current year.

● comment

Howden is sliding through the recession without many problems. Decreased orders and profits from its UK activities, such as Howden Compressors, have been balanced by its growing profit centres in Canada, Australia, South Africa and the U.S. These areas, now account for some two-thirds of Howden's sales and slightly more of the profits. Energy-related contracts, such as the recent A$120m deal to supply filters for power stations in New South Wales, have allowed Howden to escape the big earnings swings that are plaguing other engineering contractors. The £75m order for gas circulator equipment at the Heysham and Torness nuclear power stations came through earlier this year and should produce benefits for the 1983-84 accounts. The balance sheet remains in good shape with gearing at 27 per cent. Order books are healthy, particularly in Canada. The shares, down 1p to 151p yield an ungenerous 3.8 per cent, but the long-term prospects remain good, reflected in a fully-taxed p/e of 12.1. Market capitalisation is £45m.

G. M. Firth finishes £53,000 in the red

TURNOVER of G. M. Firth (Metals) slumped from £5.7m to £2.37m for the year to March 31, 1981, and the West Yorkshire steel and property group has slipped into loss, with a pre-tax deficit of £53,000 against an adjusted profit of £116,000.

However, there is a tax credit this time of £459,000 (£7,000), which leaves the attributable surplus ahead from £190,000 to £412,000 after extraordinary debits of £24,000 (£67,000 credits).

Earnings per 10p share are stated at 16.33p (4.61p) and the final dividend is 1.5p net for a same again total of 3p.

Comparative figures have been adjusted for a change in depreciation policy. On a CCA basis the pre-tax loss totalled £103,000.

Firth is the company in which Mr Ian Wasserman, the former Slater Walker director, bought an 18.7 per cent stake earlier this month. It was understood at that time that the company could well be looking to diversify its interests following the appointment of Mr Wasserman to the board.

SHARE STAKE

H. Goldman Group—H. M. Ross now holds 489,016 shares, representing (21.25 per cent).

MINING NEWS

EZ profit may fall sharply

BY KENNETH MARSTON, MINING EDITOR

DESPITE improved production in the second half of its financial year to June 30, Australia's mining and metals processing EZ Industries is still expected to turn in sharply lower profits for the full year.

Total output for the year shows that of copper concentrates 5.2 per cent down on 1979-80, zinc concentrates 27 per cent lower and lead concentrates 29 per cent lower. Production targets have suffered from a seven-week strike at the Tasmanian mines.

EZ's preliminary results for the past year are not due until late August, but it is likely that the lower production levels and, more importantly, the further slide in metal prices—apart from zinc—will bite into group earnings.

Earnings in the first half of the past year of A$9.7m (£5.9m) were previously expected to be followed by a better performance in the second half, but analysts are now expecting a total for 1980-81 of around only A$17m compared with a record A$36.8m in the previous 12 months.

Alfred McAlpine's good first-half

THE UK Marchwiel group's South African coal mining and opencast contracting subsidiary, Alfred McAlpine, has lifted its pre-tax operating profit for the six months to April 30 to R1.51m (£884,000) from R534,000 in the same period of 1979-80 and the total of R2.6m for the full year to October 31.

The company is declaring an interim dividend of 8 cents (4.7p). This, together with a final of 16 cents for the current year, was forecast in the prospectus which was issued in March in connection with a Johannesburg Stock Exchange listing.

All the company's established opencast coal mines achieved their targets, while the second walking dragline at the 40 per cent-owned Optimum Colliery is now fully operational. Optimum, of which the other 60 per cent is owned by Trans-Natal, paid McAlpine an interim dividend of R800,000. A further R1.2m has been received since April 30.

Plans to extend the company's own coal mining operations are developing on schedule. The Gardinia deposit, near Newcastle, Natal, is expected to come on stream in August at an annual production rate of 360,000 tonnes. In August 1982, operations are to be extended into the neighbouring Macclesfield deposit, which contains 5m tonnes, and total *production increased to an* annual 1m tonnes.

Management is confident that the year's taxed income will not be less than the 36 cents per share forecast in the prospectus. Since the issue of 3m shares to the South African public in April, McAlpine has had 10m ordinary shares in issue. In Johannesburg yesterday the shares were traded at 470 cents.

Gold search costs of 'Giant' and Wilanour

CANADA'S Giant Yellowknife Mines is going ahead with a C$7.2m (£3.2m) underground exploration programme at its Salmita gold property in the Courageous Lake area, about 150 miles north-east of the company's gold-operating base at Yellowknife in the Northwest Territories, reports John Soganich from Toronto.

The programme is due to be completed in mid-1982, at which time a decision will be made on whether to take the property to production. Published reserves are 135,000 tons of ore with a good average grade of just under 20 grammes gold per ton.

Giant Yellowknife, which is 19.2 per cent-owned by Falconbridge Nickel Mines, has an option to lease the mill facilities of Tundra Gold Mines. The latter is a former gold producer on property adjoining the Salmita claims.

Of other Canadian gold exploration news, Wilanour Resources, a member of the Camflo Mines group, has arranged C$8m in bank financing for the exploration and development of its gold properties in the Red Lake district of north-west Ontario.

Wilanour has also sold gold futures contracts covering 20,000 ounces for settlement at various dates over the next 18 months.

Production from two of the company's gold mines is due to start late this year.

Moss Engineering aims for growth—£1.2m call

ENVIRONMENTAL engineering group Moss Engineering is raising £1.18m by a rights issue of 1.5m shares on the basis of one new share at 77p for every three held on June 26.

The group, which reported a decline in pre-tax profit in the first half from £341,000 to £253,000, is forecasting a profit of £600,000 in the full year to August 31, 1981. The directors undertake to maintain the final dividend at 3.85p, making 5.95p and the shares in the rights issue will rank for the final.

Proceeds will be used initially to reduce bank borrowings, but the group intends to continue growing organically and by acquisition. During the past five years, group turnover has risen from around £10m to its present annual level approaching £20m, of which more than half is currently accounted for by the sewerage and effluent products division.

Export orders for this division have grown from less than £1m in 1975-76 to more than £7m in 1979-80. Tendering levels have also risen sharply and the group now has £47m worth of live tenders under consideration in world markets.

Substantial funds are required to finance this business and the group's profits have been affected recently by high interest charges.

McJohns, the Welsh auto parts company which Moss acquired in April for £750,000 in cash, had not tangible assets of £521,000 at October 31 1980. Pre-tax profits in 1979-80 were £190,000.

The group has concentrated the Farrer Wallwin administration in Lancashire and closed down the Moss Gear factory at Tredegar and the Jackson Brothers foundry business at Stoke-on-Trent. These and other rationalisation measures are expected to cost £350,000 which will appear as an extraordinary item in the 1980-81 accounts.

Dealings in the shares in the rights issue will begin on July 20 and the last date for acceptances is August 7. The company has adequate authorised capital to cover the issue but is seeking shareholders' approval for an increase to £2m at an EGM on August 7.

The issue has been underwritten by Charterhouse Japhet and brokers are Rowe and Pitman and Margetts and Addenbroke East Newton.

● comment

Having successfully fended off an 87p per share bid from GEI International two years ago, Moss Engineering is once again appealing to the loyalty of its shareholders. Moss needs more equity capital to finance its sewage plant contracting business; borrowings have more than doubled to £4.2m in the past year and income gearing in the first half was 52 per cent. Profits have been erratic since the £1m peak in 1976 and the directors are forecasting a 15 per cent decline in the current year. The engineering and transmission divisions continue to suffer from the recession while the McJohns acquisition faces dull trading conditions for auto parts and the exceptional costs of opening new outlets. The inclusion of the new shares in the final dividend is a sweetener that, at yesterday's price of 99p in effect raises the indicated yield on the existing capital from 8½ per cent to 10½ per cent. But the result is that the dividend will not be covered this year on an historic cost basis after the anticipated extraordinary provisions.

INDUSTRIAL PRECISION

The report in yesterday's edition on Industrial Precision Castings stated that M. J. M. Nightingale only sells to institutions. This should have read: "mainly sells to institutions."

Gestetner dives £5.6m: interim halved to 1.25p

IN SPITE of a 10 per cent increase in world sales outside the UK and Europe, "disappointing" results in EEC countries and the strength of sterling severely depressed the interim results of Gestetner Holdings.

For the 26 weeks to May 2, 1981 taxable profits slumped from £10.01m to £4.38m and the company, which manufactures reprographic equipment, is halving its net interim dividend to 1.25p—for the year to November 1980, a final of 2.75p was paid from pre-tax profits of £16.22m.

For the second six months the directors expect benefits in the translation of the year's profits due to the pound weakening materially against the dollar, and to some extent, against European currencies.

Although the benefits of a weaker pound for its overseas subsidiaries may not be material in the current year, the directors say it should be "progressively beneficial to the group's trading in 1981/82."

They say production is now ahead of sales. The backlog of orders should be reduced by the year end and new products should increasingly help future sales.

Among the contributory factors for the halftime profits slide were increased costs of sales outside Europe and the strength of sterling, which made is "difficult for the sales team to combat the marketing conditions caused by the economic recession which had, and still has, Europe in its grip."

The directors point out that the restructuring of the sales and service divisions increased expenses in many areas and demand for certain products created a temporary shortage.

Prices from the group's manufacturing units were broadly held with a consequent pressure on margins. The success of its drum coating operation contributed significantly to manufacturing profits. However, the introduction of new products, particularly in the copying field, will not be felt until later, the directors add.

Turnover for the six months slipped slightly from £146.99m to £145.43m as a result of rates of exchange used in the translation of foreign currencies for the respective periods.

The pre-tax surplus was struck after interest charges of £2.43m (£2.63m) and included a share of profits of associates of £229,000 (£185,000).

Tax took £2.5m (£4.71m), leaving profit at the attributable level at £1.88m, against £5.3m, and a retained balance of £1.29m (£4.12m).

Stated earnings per 25p share fell sharply from 11.15p to 3.96p.

The directors state that no provision has been made for costs of redundancies and early retirements, estimated at £1m, since May at the group's principal manufacturing unit.

Current cost accounting reduces the taxable surplus to a loss of £2.08m (£2.65m profit) and on the same basis there was a loss per share of 9.63p (4.34p).

● comment

Gestetner's undoing in the first half came in continental Europe. The value of sales in this area, which accounted for nearly half of the group's turnover last year, dropped 9 per cent in the first half and profits fell from £4½m to nil. The rise of sterling against European currencies was a significant factor. France is the group's largest national market and the French franc gained 19 per cent against sterling in the period. The shortage of some popular copier products may have held back close to £1m in profits but the main problem is the flagging competitiveness of Gestetner's main product line, stencil duplicators. The company has withstood increased competition by not increasing its UK factory prices to foreign subsidiaries for 19 months but that is no longer enough in a recessionary climate. The development of new products continues — plain paper copiers now account for close to a fifth of turnover — but the worry is that it will not happen quickly enough to sustain the group's vaunted sales force. The A shares plunged 16p yesterday to 69p but the prospective 5¼ per cent yield, assuming a halved final as well, makes them still look expensive.

12% expansion in Boots sales

TAX exclusive sales of Boots Company, the manufacturing and retail chemist, showed a 12 per cent increase to £290m in the first quarter of the current year, Sir Gordon Hobday, chairman, told the AGM.

Hambro Life buoyant at half year stage

BUOYANT new business figures for the first half of 1981 are reported by Hambro Life Assurance, the largest linked-life company in the UK. New annual premiums advanced by nearly 30 per cent from £25.6m to £32.8m, while single premiums were 70 per cent higher at £52.4m compared with £30.9m. New sums assured amounted to £1.34bn against £1.02bn.

The company benefited fully from the boom in self-employed pensions business following last year's favourable extension of the tax concessions. New annual premiums improved by two-thirds to over £8m. Executive pension business continued to grow, but at a slower pace, and overall pensions annual premiums accounted for 36 per cent of the total—the same proportion as last year.

Total premium income received by the company during the period rose by 40 per cent compared with the first half of 1980 from £112m to £157m and total assets grew from £1.12bn to £1.29bn. The share price improved by 6p yesterday to 424p on these figures.

London and Manchester Assurance Company reported an 8 per cent rise in annual premiums in the first six months of this year from £6.4m to £6.9m and a 34 per cent jump in single premiums from £1.1m to £1.5m.

New annual premiums in the industrial branch were 6 per cent higher at £3.4m, while ordinary branch annual premiums on individual life business were 7 per cent higher at £1.6m. The sale of new range unit-linked contracts proved encouraging with single premiums up by two-thirds to £600,000.

JAMESONS CHOCOLATES

An increase from £70,183 to £111,049 in pre-tax profits is reported by Jamesons Chocolates, confectionery manufacturer, for the half year to June 30 1981.

After tax up from £36,495 to £57,745, stated earnings per 10p share improved from 1.3p to 2p. (This corrects yesterday's agency report in which after-tax figures were given instead of pre-tax).

Cullen's considers franchises

SOME OF Cullen's Stores small outlets will have to be "weeded out" during the current year. There is no visible signs of the recession bottoming out and the increasing costs of running these shops is beginning to make some of them unviable under management say the directors of this grocery and wine merchanting group.

Meanwhile the company is considering franchising.

New outlets at Hove and Wadhurst are "pulling their weight and trading profitably," and a new Winemarket has been opened at Ladbroke Grove. But three small units have been closed down, they say in their annual report.

Since year end the group has taken over a business at Rudgwick and currently is negotiating for a further unit in the Dorking area.

As known, for the year to February 28 1981, taxable profit slumped from £555,182 to £201,065 on sales of £19m (£18m). On a current costs basis the pre-tax figure becomes a loss of £41,745.

The total dividend is 6.142p (7.142p) net. The directors say a second interim will not be paid in future because of printing and postage costs.

At February 28 shareholders' funds stood at £4.99m (£4.47m) and bank overdraft was up at £1m (£978,327). Working capital showed a net decrease of £152,694 (£392,673 increase). The chairman's emoluments were £24,135 (£3,500).

Meeting, Dorking, on August 6 at 3 pm.

Eurotherm ahead at six months

PROFITS, BEFORE tax, of Eurotherm International, electronic equipment manufacturer, moved ahead from £930,000 to £1.17m for the six months ended April 30 1981 and the directors are hopeful of maintaining an improvement.

The interim dividend is unchanged at 1.5p net per 10p share—last year's total was 4.5p paid from a taxable surplus down from £2.92m to £2.41m.

Sales for the half year increased nearly £1m to £12.51m (£11.6m) and was split as to: UK £5.34m (£5m) and overseas £7.17m (£6.6m).

Results of the four UK products companies were satisfactory, the directors say, considering the recession, with Chessell and SSD achieving a notable sales volume increase.

In France the significant losses of the past year have been nearly all eliminated and Chessell Corporation now manufactures 301 recorders in the U.S., and has returned to profitability, they state.

Currency movements in Germany and Switzerland, coupled with worsening trading conditions, significantly reduced their profits, while an even larger movement of the lira adversely affected results from Italy.

Eurotherm Corporation in the U.S., however, had a particularly successful half year, the directors report.

New products are receiving an "excellent response" and directors believe the improvement and broadening of the company's range will leave it well placed for growth. Additional products will emerge this and next year as a result of the continuing investment programme, they add.

Pre-tax figure was struck after interest of £322,000 (£376,000), exchange losses of £26,000 (£84,000), and subject to tax of £500,000 against £290,000.

The attributable balance was £660,000 (£633,000), after minority interests of £10,000 (£7,000), out of which the interim dividend will absorb £161,000 (£153,000).

Earnings per share are given as 5.78p, compared with 5.54p.

● comment

Eurotherm's interim results are respectable but prospects for the full-year do not show the company returning to its former glamour status. A 300 per cent leap in profits at the group's U.S. subsidiary counteracted lacklustre results elsewhere. German and Swiss activities show a £250,000 drop in profits at the half-way mark, while French operations are still in a recovery stage. UK sales are under recessionary pressure and exports, which account for 60 per cent of the group's output, were hard hit by currency fluctuations. Eurotherm's main products—temperature control equipment—are money-saving devices generally installed during times of capital investment, making the company particularly vulnerable in the current climate. With interest rates booming in the U.S., growth from that sector is not likely to be maintained in the second half. Profits for the full year will probably fall short of 1979's high of £2.9m but long-term prospects remain good. The balance-sheet has improved, with capital gearing down to about 40 per cent. A maintained final dividend is likely, suggesting a prospective yield of 2.2 per cent. The shares jumped 7p yesterday to 300p, where the prospective p/e is 24.8.

Philip Harris pick up

AS foreshadowed at the interim stage, when a decline from £372,000 to £274,000 was reported, pre-tax profits of Philip Harris (Holdings) picked up in the second six months and finished the year to March 31, 1981 some £257,000 higher at £668,000.

Turnover of this scientific apparatus manufacturer for the 12 months improved from £11.95m to £16.46m.

There was a tax credit of £188,000 (£53,000), leaving the attributable balance ahead from £464,000 to £856,000 and earnings per 20p share up from 14.37p to 26.63p.

The final dividend is stepped up to 4.75p net for a 6.2p (5.5p) total at a cost of £198,000 (£176,000).

Boulton and Paul dives into the red

A turnround from pre-tax profits of £5.91m to a loss of £353,000 is reported by Boulton and Paul, structural engineer and woodworker, for the 12 months to March 31, 1981. By midyear profits had dropped from £3.7m to £1.25m.

The loss was struck after redundancy costs of £922,000 (nil), and interest charges which jumped by £1.24m to £3.76m.

However, after a tax credit of £2.57m (£1.99m charge) and an extraordinary credit of £6.2m (nil), from tax stock relief, there was an attributable profit of £8.42m (£3.83m). The comparable figure included minorities of £91,000.

Turnover of the group, which is a subsidiary of British Electric Traction fell from £88.14m to £79.31m.

Haslemere progresses to £5.9m

Gaelic Oil raising £1.5m

Second-half losses hit Durapipe

COMPANY NOTICES

EUROPEAN OPTIONS EXCHANGE

BANK RETURN

BASE LENDING RATES

Second-half fall puts LMI lower at year-end

WITH SECOND-HALF pre-tax profits falling from £2.3m to £1.5m, London and Midland Industries reports figures for the full year to March 31 1981 down from £[illegible] to £3.01m. Turnover of this holding company with interests in engineering and industrial services and consumer products, improved however, from £36.21m to £43.32m.

The final dividend is held at [illegible] for a same-again total of 7.5p.

Mr C. M. Beddow, the chairman, says that during the year a number of acts of rationalisation have been carried out with resultant cost-cutting, always designed to ensure that each separate subsidiary is operating on a basis consistent with current levels of activity and the likely volume for the future, to the extent that this can be reasonably forecast.

This has not been without cost, he says, all of which has been charged in the accounts before arriving at the trading profit. The group retains its exceptionally strong financial position, with important liquid funds and substantial resources.

While the economic climate appears to be stabilising, the immediate outlook gives no cause for complacency, however. He says it is difficult not to be optimistic for growth and continued success in the medium and longer term.

The pre-tax figure was struck after interest charges of £126,000 (credit £183,000). Tax took £792,000 (£1.27m) and after extraordinary debits of £76,000 (£348,000), attributable profits emerged at £2.14m (£1.93m).

Stated earnings per 25p share fell from 17p to 13.4p. On a CCA basis, pre-tax profits were £2.11m.

● comment

London and Midland Industries has had to rely heavily on its consumer products base and the diversity of its engineering portfolio but even so the comparable figures, including Winn for a full year rather than 5½ months, should read some £4m pre-tax. It is a commonplace of UK engineering businesses nowadays to say that they are doing well when they are standing still. But LMI has had to work hard on Henry Browne the marine compass operation, the Doran fasteners subsidiary despite a major overhaul about 15 months ago and on Ariston Alloys. Rationalisation at Ariston, comprising the bulk of a £100,000 second half group redundancy bill, has already borne fruit. Its losses last year of £250,000 or so have been cut out as its break even point has been slashed by a third. Ariston is now said to be in profit. The home improvement side has, by and large gone well with the group's largest subsidiary, Compton Buildings, producing record profits but Bainbridge was losing money last year and was sold this month to its management. There is little growth to look for this year but the make-up of LMI's operations has demonstrated its flexibility which is the key to the share price support at 124p where the well covered dividend yields 9.3 per cent.

Allied Colloids improves to £4m

Allied Colloids Group rose from £3.25m to £4.04m for the year to March 28, 1981 and the company, which manufactures and sells industrial chemicals, is stepping up its net total dividend from 2.541p to 2.731p with a final of 2.087p.

At midyear, profits had improved by £481,000 to £1.99m.

The directors say sales for the first three months of the current year are 16 per cent higher than last year with overseas sales continuing to grow at a father rate than those in the UK.

They add that as an exporter the group has benefited from the recent fall in the value of sterling although there are clear indications that this is causing a hardening of raw material prices.

As a result they say it is not possible to offer any useful prediction as to the results for 1981/82.

The pre-tax surplus was struck after interest charges, much higher at £1.03m (£406,000).

Tax took £1.57m (£12,000 credit) leaving the attributable balance £800,000 lower at £2.47m.

Stated earnings per 10p share are down from 7.67p to 5.169p.

Current cost accounting reduces the taxable profit to £3.07m (£884,000).

● comment

The market was expecting slightly better things of Allied Colloids than the 24 per cent rise in pre-tax profits. The shares which stood at 153p the high for the year ahead of the results shed 7p on the news to 146p, where the p/e, *fully taxed, is a* lofty 32.5. The profits surge was achieved despite an average sterling exchange rate considerably less favourable than in the previous year. Margins were partially restored as the company was able to raise its prices in some markets while raw material costs remained virtually static. Interest charges more than doubled and borrowings over the year rose substantially above the £5.5m of March 1980 due to the need for working capital and tax payment relating to 1979, when the company's earnings reached £8m. Borrowings probably peaked this February and at year end were marginally higher than £5.5m. Sales growth overseas remains strong and the recent weakening in sterling will show through this year. Thus there *could be a substantial jump this* year to between £5½m and £6m profit, propping the fully-taxed p/e to just under 23—still a rather demanding rating.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Lloyds Bank, Robert H. Lowe, Romney Trust.

Finals: Benlox, Black Arrow, Lynton, Phillips Patents, Stoddard, Stroud Riley Drummond, Syltone, Tex Abrasives, Wheway Watson, Wiggins Construct.

FUTURE DATES

Interims—	
Albion	July 22
Anglo American Gold Invest.	Aug. 6
Boustead	Sept. 29
Bullough	July 23
Cardinal Investment Trust	July 23
Concord Rotaflex	July 20
Leda Investment Trust	July 20
Lex Service	July 30
Meldrum Investment Trust	July 21
Prestige	July 30
Rentokil	Aug. 5
Tiger Oats and Nat. Milling	Aug. 11
Transport Development	Aug. 10
Westminster Property	July 24
Finals—	
Dom Holdings	July 24
Globe & Phoenix Gold Mng.	July 22
Jarvis (J.)	July 30
Mecarthys Pharmaceuticals	July 27
Midland Trust	July 27
Security Centres	July 31
Tomkins (F. H.)	July 27

FULLER SMITH

Pre-tax profits of Fuller Smith and Turner, brewer, fell to £1.4m for the 53 weeks ended April 3, 1981, against £1.64m for the previous year. At midway the surplus was down from £811,000 to £425,000. In yesterday's report the midway result was incorrectly given as £810,814 against £741,890.

Video a bright spot at Currys

The Currys Group specialist electrical retailers reports rather flat trading through its High Street stores over the last three months with the exception of video sales and rentals, which remain buoyant.

Commenting on the company's performance Mr Terry Curry, joint managing director, says through the High Street shops the group's unit sales in the last quarter are running at about the same level of volume as the corresponding period last year; although there has been the anticipated inflationary element which has resulted in some increase in cash takings. "In spite of difficult trading conditions we continue to show an increase in gross margins."

The one "bright spot" is video, where the group is achieving significant sales and rentals of both televisions and video recorders. Particularly significant is the growth in second televisions, the swing to small screen size and the fast growing popularity of video recorders in all three formats, Beta, VHS and the European V2000.

Mr. Curry says subsidiaries are generally performing satisfactorily. The TV and video rental company, Carousel Colourhire, is building up a customer base although the rate of growth has been rather slower than was originally forecast. Bridgers, the discount centre chain, is doing particularly well. There are now 16 of these units (against 10 last year) and, on a like-for-like basis, trading is showing a very useful improvement.

Micro C, Currys microcomputer company, and CGS, the group's service division, are both expanding their operations and are meeting targets.

Looking to the future, Mr Curry says he remains optimistic about the long term, although trading in the High Street may well continue to be flat through the rest of the current year.

Wheeler's maintains dividend

TAXABLE profits of Wheeler's Restaurants, which owns oyster and fish restaurants in London and Brighton, improved from £359,271 to £383,222 for the year to March 31 1981 although turnover declined marginally, slipping by £100,000 to £6.72m.

Stated earnings per 10p share were lower at 11.71p (12.74p) but as predicted at midyear, when pre-tax profits were just £7,743 ahead at £237,012, the total dividend is being maintained at 5.88p net by a same-again final of 4.33p.

Mr Ronnie Emmanuel, the chairman, says currently the company is trading in the worst economic conditions for many years and it is not possible to predict with any accuracy the trading outcome for 1981-82.

On the results for the past year he says the company had to contend with a further increase in costs while the continued high rate of VAT and the fall in the number of overseas visitors to London again adversely affected the number of customers served.

The surplus included a share of profits of associates of £18,812.

At the attributable level the balance emerged at £175,665 (£191,116) after tax of £199,750 (£165,460) and minorities of £7,807 (£2,695).

During the year two floors of the Sheridan Hotel (Royal), Brighton were refurbished and work on the remaining two floors is expected to be completed shortly.

The company, which has close status, is negotiating to purchase its own wholesale fishmongers business in Billingsgate.

Euston Props. advances

TAXABLE REVENUE of Euston Centre Properties, a company jointly owned by George Wimpey and Co. and the Stock Conversion and Investment Trust, went ahead to £4.64m in the year to the end of March, compared with £2.96m.

After tax of £2.41m (£1.57m) and a balance brought forward of £26,428 (£16,764), the available surplus was £2.26m (£1.43m).

Dividends absorb £2.2m (£1.4m), leaving £61,682 (£26,428) to be carried forward.

Chief executive change at Rothmans International

Mr V. A. Brink has joined the board of ROTHMANS INTERNATIONAL and will succeed Mr A. Orlow as chief executive after the annual meeting on September 9. Mr Brink has been chief executive of Rothmans of Pall Mall (Australia).

Mr Orlow reaches retirement age in October and will not be standing for re-election to the board at the annual meeting.

Sir Robert Crichton-Brown, chairman of Rothmans of Pall Mall (Australia), has also been appointed to the board of Rothmans International.

★

Mr J. C. Thompson has been appointed corporate treasurer of REED INTERNATIONAL from September 1. He is financial and commercial director of Field Sons and Co., a subsidiary within the paper and packaging division of Reed International.

★

THE BRITISH AND COMMONWEALTH SHIPPING COMPANY states that Mr David Secker Walker will join the group on September 1 following his resignation as vice-chairman of N. M. Rothschild and Son. Mr Secker Walker will be appointed deputy chairman of Cayzer and managing director of its holding company—St. Mary Axe Holdings—which includes the Gartmore Investment Group.

★

M Derek Bandey, president of the Society of Pension Consultants, has become chairman of the OCCUPATIONAL PENSION SCHEMES JOINT WORKING GROUP, which represents the pension industry in joint approaches to Government.

★

Mr Patrick O'Riordan has been appointed vice-president, sales, of PRINCESS HOTELS INTERNATIONAL for the UK and Europe. He is based in London.

★

Dr Frederick J. Glover, formerly with the International Trade Centre in Geneva, has been appointed director of the UNITED KINGDOM TRADE AGENCY FOR DEVELOPING COUNTRIES (UKTA), which is based at the London Chamber of Commerce and Industry.

★

Mr John Matthews, who recently resigned from the Pandair Freight Group, has joined JARDINE AIR CHARTER and has been appointed a director. The company is part of the Hong Kong-based Jardine Matheson Group.

★

Dr Kenneth Simmonds, professor of marketing and international business at the London Business School, has been appointed a non-executive director of EAST MIDLAND ALLIED PRESS.

★

Mr David Buxton has been appointed head of branch banking at COUTTS AND CO. in place of Mr John Acheson, who remains on the board. Mr Stuart Marshall becomes deputy head of branch banking.

★

Mr R. T. S. Russell, merchandise director of HEPWORTH (RETAIL) has been appointed assistant managing director of the company, which is a member of the J. Hepworth and Son group.

★

Mr Arthur Kennedy has been appointed to the board of SUNLIGHT SERVICE GROUP following the acquisition of New Era Linen Services.

★

Mr Rodney Stansfield has been appointed managing director of REGINA-FIBREGLASS. The Pilkington Group recently increased its holding in Regina-Fibreglass to 100 per cent after acquiring the 49 per cent held in the company by the BBA Group. Mr Stansfield joined Pilkington, through its Fibreglass subsidiary, in 1967.

★

Mr Ron Goose, has been appointed managing director of OFFSHORE CATERING SERVICES. He has worked for the company for six years as chief accountant/financial director and company secretary, and has had overall control of the operational side of the business for the past nine months.

★

Mr Alain Garrigue, has been apointed managing director of UIE (UK), the UK subsidiary of the Paris based AMREP Group. Mr Garrigue is also marketing director of UIE Shipbuilding (Scotland) the Clydebank subsidiary of UIE (UK).

OVERSEAS

Mr David P. Sheetz, vice-president and corporate director of research and development, has been elected to the board of the DOW CHEMICAL COMPANY of the U.S.

★

Mr Robert K. Swanson has been elected chairman and chief executive officer of the DEL E. WEBB CORPORATION of the U.S. to suceed Mr Robert H. Johnson, who has retired but continues as a consultant for the company. Mr Swanson remains president and chief operating officer.

★

Mr Frank A. Akin, Mr Curtis M. Sides and Mr Frank E. Muellner have been appointed vice-presidents of BROWN AND ROOT, of the U.S.

★

Mr Robert A. Schoellhorn has been elected chairman of ABBOTT LABORATORIES of the U.S. in place of Mr Edward J. Ledder, who continues as a director. Mr G Kirk Raab has become president and chief operating officer.

★

Mr Edward Bryant has been appointed director of business development and manpower of PRICE WATERHOUSE European firms. He continues his responsibilities for the co-ordination of the European acquisition and merger services for clients.

INTERNATIONAL COMPANIES and FINANCE

Vehicle components boost Bendix

By Lachlan Drummond in New York

BENDIX, the U.S. automotive and aerospace components group, lifted profits from continuing operations by almost 50 per cent in its third quarter, as a result of improved returns in its motor industry operations.

Results for the period to June 30 were further boosted by a $28m gain on the sale of its remaining stake in Asarco, the base metals group, which took the net income total to $77.62m, against the $54.84m achieved last time. Revenues for the quarter advanced by 11 per cent to $1.16bn.

The company said the rise in net earnings from continuing operations from $33.3m to $49.5m reflected improvement from last year's depressed level in its automotive parts activities. The upturn here came in its car and light truck components areas as a result of increased production rates and gradually improving conditions in the U.S. motor industry.

The aerospace activities almost equal the "excellent" performance of 1980 on moderately high revenues. Profit growth was constrained by development spending and continued softness in the commercial and general aviation market.

The machine tool markets also were soft.

After nine months, profits from continuing operations were ahead by 44 per cent to $140.8m, or from $4.01 a share to $5.63, with the third quarter contributing $2.16 against $1.25 a share. Revenues for the nine months totalled $3.41bn against $2.86bn.

After including $248.3m from the sale of assets and earnings from discontinued operations, Bendix's nine months profits totalled $389.1m against the $146.25m of last year. Earnings per share on this basis were $15.56 against $5.99 with the third quarter chipping in $3.39 aagainst $2.06.

Rhone plans to sell 20% stake in Morton

BY PAUL BETTS IN NEW YORK

RHONE-POULENC is planning to sell its 20.3 per cent shareholding in Morton-Norwich, a Chicago-based manufacturer of drugs, household chemicals and industrial and table salt.

The giant French chemicals company, whose current stock holding in the U.S. drugs group has a market value of about $34m, said yesterday it had decided that its objectives were no longer best served by the investment.

But the U.S. company appeared dismayed by the French group's announcement and said it was reviewing Rhone-Poulenc's proposal to sell its shares.

Morton-Norwich said that under its agreement with Rhone-Poulenc, signed in 1978 when the French company acquired its 20.3 per cent stock holding, Rhone-Poulenc cannot sell the shares without the U.S. company's consent, except in limited circumstances which it claimed currently do not exist.

Morton-Norwich also said it has first refusal right to all the shares held by the French company.

For its part, the French company said yesterday it expected to sell its shares as soon as practicable on the best possible terms for the French company and in a manner which will not violate the 1978 agreement with Morton-Norwich.

Morton-Norwich, with annual sales of about $950m, has seen its profitability decline during recent quarters, largely as a result of the poor performance of its brine chemicals which are primarily sold to the steel, rubber and tyre industries. These industries have been depressed for some time and demand for brine chemicals is not expected to pick up until perhaps later this year.

CBS income falls further despite broadcast upturn

BY OUR NEW YORK STAFF

CBS, the U.S. television network operator which is moving more heavily into film production, has reported reduced second quarter earnings as a result of its expansion into new activities.

Net profits for the second quarter were down from $65.3m to $41.9m despite an increase in revenues from $971.8m to $998.2m.

The company said its broadcasting activities performed strongly in the quarter but that the expense involved in developing its new operations in cable television systems and programming, and home video and films had dragged down earnings. Also demand for its other products, which include publishing, toys and musical instruments was soft in the quarter.

For the half-year profits were also down, despite the unexpectedly strong performance in the opening three months of the year which was a result of non-operating factors. Net profits for the six months totalled $56m compared with $67.3m last time or $2 a share against $2.41, with the second quarter contributing $1.50 against $1.94. Revenues for the half year came to $1.99bn, up by $50.1m.

● RCA said it filed with the Federal Communication Commission for authority to operate a direct broadcast satellite system.

RCA said the initial investment to orbit and operate the first satellite and a spare along with the ground investment is estimated at $400m.

The complete system as proposed would require a total investment of $760m, RCA said.

Belzbergs claim 53% control of Permanent

By Robert Gibbens in Montreal

THE BELZBERG family of Vancouver claim 53 per cent control of Canada Permanent Mortgage Corporation, the third largest trust company in Canada, following further market purchases and private share exchange agreements.

First City Financial Corporation, a Belzberg company, offered cash and First City shares worth together about C$28 (U.S.$23m) for each Permanent share, but was later topped by a C$31 per share cash offer from Genstar Corporation, a major western Canadian real estate, construction and financial services group.

The Belzbergs had been seeking 75 per cent of Permanent's capital in a deal worth about C$300m).

A week ago First City said it had received 33 per cent of the Permanent shares under its offer. But in the past few days several large holders, including BCI Holdings of Toronto with 9 per cent stake, have sold to First City.

Genstar has been prevented from soliciting for Permanent shares by Ontario Securities Commission order. Litigation by both sides continues, and the final outcome of the six-week-old battle is still not clear. Genstar could still raise its cash offer.

The OSC said it became apparent from submissions it had received that Genstar was considering seeking Permanent shares through private agreements while its takeover bid circular, a public document, was still valid.

R. J. Reynolds reports strong earnings growth

By Our Financial Staff

A SHARP rise in profits in the second quarter was reported yesterday by R. J. Reynolds, the largest U.S. manufacturer of cigarettes. It holds about one-third of the domestic market with its Winston, Camel and Salem brands.

Profits jumped by 21 per cent to $198.2m or $1.82 a share in the second quarter, on sales of $2.97bn against $2.54bn. This brings the net total for the first six months to $386.5m or $3.54 on sales of $5.74bn compared with $4.95 in last year's first half.

Last year, Reynolds, which takes 60 per cent of profits from domestic tobacco operations and 13 per cent from international ones, earned $670m or $6.23 a share. Wall Street analysts have predicted earnings of more than $7.00 a share this year.

Fiscal 1980 was a successful year for the group, with earnings rising by about 22 per cent, although a slower rate of growth is expected this year.

Reynolds takes about 14 per cent of earnings from its energy interests, 7 per cent from food, particularly the *Del Monte frozen food* business, and 5 per cent from transportation. The energy interests consist largely of Aminoil which produces natural gas and crude oil.

Reynolds lost out last April in a contest to take a stake in the UK-based Rothmans International group.

Domestic tobacco sales are expected to benefit from the group's concentration on low tar brands and by increased consumer selling prices.

The transportation section, comprising Sea Land Service, the world's largest containerised service, serving more than 50 countries is also likely to produce further growth. But this division cost the group $25m in write offs earlier this year.

INTERNATIONAL PAPER SAYS OFFER TOO GOOD TO REFUSE

CP's' forest deal raises eyebrows

BY ANDREW FISHER

ANOTHER LARGE slice of Canada's industrial assets is set to pass into domestic hands with the decision of Canadian Pacific Enterprises (CPE) to boost its forest product interests in a surprise C$1.1bn (U.S.$916-7m) deal.

If the transaction goes through, the cash payment to International Paper of the U.S. for its Canadian International Paper subsidiary will mark the third time CPE has hauled in Canadian assets from foreign ownership.

In the early 1970s, it bought a quarter of Algoma Steel from Mannesmann, the major West German steel pipe producer. Algoma is now a mainstay of CPE, which is 71.1 per cent owned by the Canadian Pacific Ltd, whose original business is transport.

Last year, CPE—by far the biggest contributor to total earnings of the Canadian Pacific group—paid C$122m for Norin, a Florida company owning the Maple Leaf food processing and marketing company which does most of its business in Canada.

Activities such as steel, mining, food, and forestry—the chief activities of CPE—do not spring readily to mind when most people think of Canadian Pacific, which began life 100 years ago as a railway company.

Over the century, it has expanded into air and sea transport as well as trucks and telecommunications. But its biggest profit-earner is CPE, which groups all the non-transport activities and provided C$363m of the group's total net income of C$583m in 1980.

CPE is no stranger to the forest and paper industries. It is spending C$90m modernising its fine paper operation at the Dryden mill in Ontario—bought from Reed of the UK—owned by Great Lakes Forest Products. Great Lakes is 54 per cent owned by CPE, which is also full owner of Pacific Forest Products, a major timber company in British Columbia.

But it is the deal just agreed between Mr Ian Sinclair, CPE's tough and highly individual chairman, and Mr Edwin Gee, chairman of International Paper, which is raising eyebrows in Canada's investment community.

By taking on Canadian International Paper, accounting for 50 per cent of the U.S. group's newsprint capacity, CPE will become the number two newsprint concern in Canada after Abitibi-Price. The newsprint, pulp and packaging facilities being acquired are all in eastern Canada.

It was apparently CPE which approached International Paper, the largest paper company in the U.S., with an offer that Mr Gee felt was too high to turn down.

Neither side has spelled out just why it is dealing, but International Paper—halfway through a U.S.$4bn spending programme and with large borrowings planned to help finance the rest—will clearly have plenty of use for the cash.

Last year, for example, it spent $285m on the new containerboard mill at Mansfield, Louisiana, which is costing nearly $600m in total. It also invested $120m on new wood product capacity.

In the late 1970s International Paper was widely regarded as a sleeping giant and a plodding performer. Since Mr Gee arrived in 1977, the group has been striving to become more efficient and produce better investment returns.

Net income rose by 14 per cent to $134m last year, after adjusting for the proceeds in 1979 of major sales of oil and gas and timberland interests. The bulk of International Paper's timberland is in the southern U.S., expected to be the source of over half the country's wood supply by the end of the 1980s.

The sale of its Canadian arm will still leave it with a stake in newsprint through plants in Arkansas and Alabama. CPE will be getting nearly 1.2m tonnes of newsprint capacity and 1.4m acres of woodland.

But Mr Gee foreshadowed problems in the North American newsprint market in International Paper's 1980 annual report. Up to 1983, growth of capacity would exceed that of demand. New capacity, he said, would make it difficult for less efficient producers to compete.

Export markets were especially attractive, he noted, because higher energy and raw material costs had hit producers outside the U.S. and Canada.

One export-orientated venture that CPE will be acquiring as part of its C$1.1bn deal is that at International Paper's Dalhousie mill in New Brunswick, with the Japanese. Oji Paper and Mitsui are together one-third partners in the C$158m expansion and modernisation plan there, and will buy 100,000 tons of newsprint a year by 1985.

With C$940m of cash and short-term investments at end-1980 and unused long-term financing facilities of C$1.48bn, CPE will have no trouble paying for Canadian International Paper.

This time, it is determined not to be thwarted, after failing to take over MacMillan Bloedel, the giant of the forest products industry in Canada, in 1979 and subsequently disposing of its 13.4 per cent stake.

It was also outbid in its attempt this year to buy Hobart, a U.S. home appliance and food processing equipment maker. Dart and Kraft foiled it with an agreed bid of US$460m.

Despite an earnings slip of some 25 per cent in the first quarter to C$101m, CPE is clearly determined to expand ambitiously. In North America, trees above the ground are becoming as attractive to investors as oil underneath, and they are renewable.

CANADIAN PACIFIC ENTERPRISES

Net income C$000	1981	1980
Oil and gas	46,580	31,830
Mines and minerals	7,350*	33,495
Forest products	11,213	13,636
Iron and steel	21,004	13,635
Real estate	6,650	5,180
Agriproducts	3,240	70
Others	1,410	360
Financial	3,870	18,060†
Total	101,320	136,270

* Reflects lower silver, lead and tin prices.
† Includes C$13m from sale of 13.4% of MacMillan Bloedel.

More SwFr issues launched

BY FRANCIS GHILES

NEW ISSUE activity in Swiss franc foreign bonds continues at a high level, although secondary trading in this sector of the Eurobond market remains thin.

A SwFr 30m ($14.6m) convertible to 1986 for the Japanese borrower Hoshiden Electronics was announced yesterday through Union Bank of Switzerland. The borrower is paying a coupon of 4½ per cent and the conversion premium is expected to be set at 3.3 per cent.

Meanwhile the SwFr 100m public issue for Dome Petroleum which includes a final coupon of 7¼ per cent for nine years was priced at 100½ by the lead manager. Credit Suisse, because of strong investor demand.

The next public issue in Switzerland is expected to a SwFr 100m bond to 1990 for Compagnie Francaise des Petroles.

D-mark foreign bond prices were unchanged yesterday as were straight dollar bonds. However, the steadiness in dollar bond prices occurred against the background of a renewed rise in Eurodollar rates. The three-month Eurodollar deposit rates gained 11/16 of a point yesterday to close at 18⅛ per cent.

The only issue to be priced yesterday in the dollar sector was the $30m convertible to 1996 for Tokyo Sanyo Electric.

The final terms are unchanged from those initially indicated by the lead manager Merrill Lynch, Yamaichi and Daiwa; a coupon of 5½ per cent and a conversion premium of 5.39 per cent.

A Y20bn ($87m) bond to 1993 is being arranged for the Province of Quebec through Nomura Securities. The borrower is paying a semi-annual coupon of 8.6 per cent.

● From August 3, Cedel, the bond clearing house, will accept foreign bonds issued in Switzerland by foreign entities for safe custody and clearance.

Union Bank of Switzerland will act as Cedel's depository bank for these securities.

Second quarter profits halved at Burroughs

By Our Financial Staff

A FURTHER sharp fall in earnings in the second quarter of this year is reported by Burroughs, one of the major U.S. producers of data processing and office equipment. At the six month point, earnings were more than halved, although sales remained firm.

Profits dropped by 49 per cent to $31.3m or 75 cents a share in the second quarter, although sales, 13 per cent higher at $334.2m, maintained their momentum.

The first half net profits total slumped from $108.5m to $53.6m or $1.29 a share. Sales were $1.59bn compared with $1.4bn.

In fiscal 1980, profits fell from $306m to $82m, although this included a $125m one-off charge. Improvement has been expected for this fiscal year with Wall Street analysts looking for earnings of about $5.10 a share.

French buy Coca-Cola unit

By Terry Dodsworth in Paris

AN OUTLINE agreement has been signed by Lyonnaise des Eaux, the large French water supply utility, with Coca-Cola in the U.S. to acquire the American group's Aqua Chem subsidiary.

No figure has so far been put on this protocol deal, which will give Lyonnaise a foothold in the U.S. water treatment and heat equipment market. But the French company has made no secret of its ambition to expand overseas in recent years as part of a overall diversification policy. Aqua Chem, which had a turnover of $130m last year, also has branches in Canada and Mexico.

Sharp setback at First Boston

By David Lascelles in New York

FIRST BOSTON, the big Wall Street investment firm which has been involved in many of the recent large merger deals, suffered a sharp drop in profits in the second quarter of this year, but said that comparisons with the same period last year were misleading because 1980 had been unusually lucrative.

Mr George Shinn, chairman, said: "We are highly pleased with the results of both the second quarter and the six months period because of the difficult environment of escalating interest rates and erratic markets which persisted for much of the period, in contrast to the more favourable circumstances which characterised the comparable period of 1980."

Second quarter earnings were $5.6m, or $1.12 a share, down from $20.4m or $4.8, last year.

GTE results show strong advance at halfway mark

BY OUR FINANCIAL STAFF

A SHARP improvement in second quarter earnings underlines a marked revival in the fortunes of General Telephone and Electronics (GTE), which controls the largest of the independent (non-Bell) telephone systems in the U.S.

Profits advanced 27 per cent, from $133.2m or 83 cents a share to $169.5m or $1.04 a share. This brought half-year earnings to $332.2m or $2.03 a share—an increase of more than 67 per cent on the previous year's corresponding $198.2m or $1.21 a share.

The group's sales performance, however, was much less impressive. Second quarter returns of $2.67bn showed an increase of only 7¼ per cent on the previous year's corresponding $2.48bn. This brought the half-year sales total to $5.24bn, a gain of 8 per cent on the $4.85bn registered in the first half of 1980.

● Reynolds Metals, second largest of the U.S. aluminium producers, is showing a 30 per cent fall in earnings at the half-way stage, although the rate of decline slowed somewhat in the second quarter. Wall Street analysts have predicted a fall of 25 per cent at the year end.

Earnings for the second quarter, 22 per cent down at $45.3m or $2.33, have been helped by a $16.7m gain on foreign currency translations, compared with a similar gain of only $2.5m last time. Sales eased from $957.1m to $950.2m.

At the six-month point, earnings are 29 per cent off at $78.3m or $4.02 a share on sales of $1.8bn against $1.83bn.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday August 13. Closing prices on July 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Am. Air. 15¼ 85 (WW)	55	98½	99¼	0	−0⅛	15.57
Amoco 13¾ 88	75	92⅞	92⅞	0	−1¼	15.05
CIBC 14½ 84	185	97⅛	97⅝	−0⅛	−0⅛	15.60
CIBC 15½ 86	75	99⅜	99⅞	0	+0⅜	15.35
CNA 15½ 96	75	96⅞	97⅜	−0⅛	−0½	15.75
CNT 12⅜ 91	100	87⅝	88⅛	0	−0⅛	15.19
Citicorp O/S 13 87	200	88½	89	−0⅛	0	14.85
Citicorp O/S 15½ 84	175	100	100½	+0⅛	+0½	15.35
Dupont Canada 13½ 91	65	93⅛	93⅝	0	−0½	14.79
EIB 12½ 89	75	87½	88	−0⅛	−0⅜	15.54
Eldorado 13⅝ 86	50	92½	93	0	−0⅜	15.48
Elec. de France 13 88	125	90⅞	91⅜	0	−0⅛	15.18
Export Dv Cpn. 9½ 86	150	81⅜	81⅞	−0⅛	−0⅛	15.40
Fed. Bs. D 13⅞ 85 (N)	50	90½	91¼	0	0	15.17
Fed. Bs. D 15⅝ 84 (J)	40	100½	101¼	−0⅛	+0⅛	15.26
Fin. Exp. Credit 10½ 85	50	84¾	85¼	−0⅛	−0⅜	15.88
Finland, Rep. of 9½ 86	100	79¾	80¼	0	−0⅛	15.83
Ford Cr. O/S Fin. 16 84	150	100	100½	0	−0⅛	15.73
Ford Cr. O/S Fin. 16 85	150	97⅞	98⅜	0	−0⅛	16.76
Gaz de France 13½ 86	30	94	94½	0	−0⅛	15.28
GMAC O/S Fin. 12⅞ 83	100	90⅛	90⅝	−0⅛	0	15.21
GMAC O/S Fin. 14⅜ 87	100	96⅞	97⅛	−0⅛	−0½	15.58
Gen. Mts. O/S 11⅜ 87	100	86⅝	87⅛	−0⅛	−0½	15.10
Genstar 14⅜ 91	50	97⅞	98⅜	−0⅛	−0⅛	15.09
GTE Fin. 13⅜ 86 (WW)	50	96⅛	96⅝	−0⅛	−0⅛	14.75
Hiram Walker 16 86	50	102⅛	102⅝	−0⅛	0	15.24
IBM Wld. Trade 12½ 88	200	94⅛	94⅝	−0⅛	−0⅞	13.78
IBM Wld. Trade 14⅜ 84	100	100⅝	101⅛	0	+0⅛	14.27
Nat. Bk. Canada 15⅛ 84	40	98⅞	99⅜	0	+0½	15.61
Newfoundland 13½ 90	60	91⅝	92⅛	+0⅛	+0⅛	15.21
Nova Scotia 15 91	75	97½	98	0	0	15.45
Ontario Hydro 13½ 91	100	92⅞	93⅜	−0⅛	−0⅛	14.84
Queb. Hy. 15 91 (WW)	100	87⅛	87⅝	−0⅛	−1⅛	15.55
Royal Bk. Canada 14 85	100	97⅝	98⅛	−0⅛	−0⅛	14.60
SNCF 13 91	75	90½	91	0	−0⅛	14.82
Sth. California 14 87	50	96⅝	97⅛	+0⅛	−0½	14.79
Sth. California 14¾ 88	50	98	98½	0	+0½	15.18
Sven Handlsbk 13⅞ 88	45	91½	92½	−0⅛	−0½	15.74
Swed. Ex. Credit 13 85	75	90⅞	91⅛	0	0	15.83
Swed. Ex. Cred. 15⅞ 86	50	99½	100	−0⅛	−0⅛	15.79
Toronto-Dom. Bk. 14 84	50	96⅛	96⅝	−0⅛	0	15.63
Tribune O/S Fin. 14 86	50	94⅞	95⅛	−0⅛	−0⅛	15.52
Wells Fargo Int. 15¼ 84	50	100⅛	100⅝	+0⅛	+0⅛	15.24
World Bank 10⅛ 87	200	81½	82⅛	0	0	15.08
World Bank 14⅛ 85	500	96⅛	96⅝	0	−0⅛	15.42

Average price changes On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bank 10 91	100	97⅞	98½	+0⅛	+0½	10.30
Austria, Rep. of 8½ 92	150	87⅞	88⅜	0	−0⅛	10.07
CECA 7⅞ 92	150	86	86½	+0⅛	−0⅛	9.95
CECA 10 91	120	99⅞	100⅜	−0⅛	−0⅞	9.96
CII-Honeywell 8½ 90	125	87⅞	88⅜	−0⅛	0	10.44
Council of Europe 10 91	100	99½	99⅞	+0⅛	−0⅛	10.07
EIB 8½ 90	200	89⅛	90⅛	−0⅛	−0⅛	10.25
EIB 10½ 91	200	100⅞	101⅜	+0⅛	+0⅛	10.34
ESCOM 9½ 87	100	90⅞	91⅜	+0⅛	+0⅛	11.30
Finland, Rep. of 10 88	100	97⅞	98⅛	+0⅛	+0⅛	10.42
Iberduero SA 9 92	120	88⅛	88⅞	+0⅛	0	11.07
Ind. Bk. Finland 9½ 90	50	89⅛	89⅞	+0⅛	−0⅛	10.29
Int.-Am. Dv. Bk. 10 91	100	98⅞	99⅜	−0⅛	−0½	10.19
Japan Air Lines 8½ 87	100	91½	92⅛	−0⅛	0	9.86
Japan Dev. Bk. 7⅞ 87	100	89⅛	89⅞	+0⅛	+0⅛	9.90
Kobe City of 8 90	100	88⅝	89⅛	+0⅛	+0⅛	9.95
Midland Int. Fin. 8½ 90	180	89⅞	90⅛	+0⅛	+0⅛	10.19
Nuclebras 9⅞ 88	100	89⅞	90⅜	−0⅛	0	11.88
OKB 8⅜ 92	150	87⅛	87⅝	+0⅛	+0⅛	10.19
Oslo, City of 8½ 90	50	91⅞	92⅜	−0⅛	0	10.12
Venezuela, R. of 9⅛ 90	150	94	94½	−0⅛	−0⅛	10.72
World Bank 8 90	700	86	86½	0	−0⅛	10.39
World Bank 10 85	150	100⅛	101½	−0⅛	−0⅛	9.68

Average price changes On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Aeroport Paris 6½ 91	60	95⅛	96⅛	0	0	7.04
BFCE 6½ 91	100	†94	95	−0½	−0⅜	7.31
Bayer Int. Fin. 5¾ 92	100	†90⅞	91⅛	+0⅛	−0⅛	6.40
Edmon. City of 6¾ 91	40	†100	100½	−0⅛	0	6.71
[illegible] 7 90	40	100⅞	100⅞	−0⅛	+0½	6.83
CECA 6¾ 91	80	97⅝	97⅞	+0⅛	+0⅛	7.07
Denmark 5½ 90	80	†88	88½	+0⅛	+0⅛	7.60
Dome Petroleum 5¾ 91	100	94⅛	95	+0⅛	−0⅛	6.48
Elec. de France 5¾ 90	100	91	91¼	−0⅛	−0⅛	6.56
Eurofima 5¾ 90	80	96½	99	−0⅛	−0⅛	5.90
F. G. H. Hypo. Bk. 6 90	50	93½	93⅞	−0½	−1⅛	6.98
Finland, Rep. of 5½ 90	30	89	89½	+0⅛	+1⅛	7.28
Franc. Petroles 6½ 91	60	96	96½	−0⅛	−1⅛	7.06
Genstar 7 91	100	102⅛	102⅞	−0⅛	0	6.60
Int.-Amer. Dv. Bk. 7 91	100	99⅛	99⅛	0	−0⅛	7.14
Japan Dev. Bank 5½ 97	100	94	94½	−0⅛	−0⅛	6.62
Mt. Blanc Tunnel 5½ 90	60	90⅛	90⅝	0	+0⅛	6.96
Newag 5¾ 90	80	†92	92½	+0⅛	0	6.94
OKB 7 93	100	100	100½	−0⅛	+0⅛	6.96
Oslo, City of 5⅞ 90	80	†93	94	+0⅛	+0½	5.84
Philips Lamps 5½ 92	100	89⅛	89½	−0⅛	−0⅛	6.64
Swed. Ex. Cred. 7⅛ 91	75	97⅞	98⅛	−0⅛	+0⅛	7.54
Trade Dev. Fin. 6½ 90	50	91⅛	91⅞	0	+1	7.43
Voest-Alpine 5½ 90	80	90⅛	90½	+0⅛	+0⅛	7.21
World Bank 6 91	100	†93½	94	0	+0⅛	6.91
World Bank 7 90	100	100⅛	100½	+0⅛	−0⅛	6.93

Average price changes .. On day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bk. 8½ 91	15	97⅛	98⅛	+0⅛	−0⅛	8.61
Australia 6½ 88	20	85⅛	86⅛	0	−0⅛	9.38
EIB 7¾ 90	12	92⅛	92⅞	+0⅛	+0⅛	9.09
Finland 6.8 88	10	85½	86½	+0⅛	0	9.69
Finland, Rep. of 8½ 87	15	97½	98½	0	0	8.92
New Zealand 8⅛ 87	15	98⅛	98⅞	+0⅛	+0⅛	8.70

Average price changes . On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 10⅛ 86 C$	60	86½	87½	0	0	14.43
CIBC 13½ 86 C$	50	93½	94½	0	−0⅛	15.65
CIBC 11½ 85 C$	60	86⅛	87⅛	0	−0⅛	16.31
Federal Dev. 11½ 90 C$	60	†79⅜	80⅜	+0⅛	−0⅛	15.75
Fst Can. Inv. 10 84 C$	50	†84⅛	85⅛	0	−0⅛	16.83
R. Bk. Canada 10 86 C$	40	88	88⅞	0	−0⅛	13.40
Tordom Cpn. 12½ 85 C$	30	†93⅛	94⅛	−0⅛	−0⅛	15.55

	Issued	Bid	Offer	Change on day	week	Yield
M. Bk. Dnmk. 9 91 EUA	25	86⅛	87⅛	0	+0⅛	11.21
SOFTE 8¾ 89 EUA	40	86	87⅛	+0⅛	−0⅛	10.88
U. Bk. Nwy. 9½ 90 EUA	18	92⅛	94	−0⅛	−1⅛	10.69
Algemene Bk. 10⅛ 86 Fl	60	95	95½	0	+0⅛	11.60
Amro Bank 12 86 Fl	75	101⅛	101⅝	+0⅛	+0⅛	11.58
Heineken NV 10 87 Fl	100	94⅛	95	+0⅛	+1⅛	11.28
Nat. Nedrlndn. 10 88 Fl	60	96	96½	+0⅛	+1	10.80
Ned. Midd. Bk. 10 85 Fl	75	94⅛	95	0	+0⅛	11.64
Pierson 10⅛ 86 Fl	50	93⅛	94	0	+0⅛	12.05
Rabobank 12 86 Fl	100	100⅛	101⅛	+0⅛	+0⅛	11.74
Air France 14½ 86 FFr	200	92⅛	93⅜	0	+0⅛	16.81
Bk. America 14⅛ 86 FFr	250	90⅛	91⅜	+0⅛	+0⅛	17.40
Charb'nages 13⅞ 85 FFr	400	89⅛	90⅛	0	0	17.24
EIB 14⅛ 88 FFr	300	87⅛	88⅛	0	−0⅛	17.34
La Redoute 14⅛ 85 FFr	125	86½	87⅛	+0⅛	+0⅛	18.85
OKB 14 86 FFr	400	90⅛	91⅛	−1⅛	−1⅛	16.76
Solvay et C. 14⅛ 86 FFr	200	95⅛	96⅛	0	+0⅛	15.95
Swed. E. Cr. 14⅛ 86 FFr	250	87⅛	88⅛	+0⅛	−0⅛	18.44
U. Mex. Sts. 14 85 FFr	150	89⅛	90⅛	0	0	17.74
Acona 14 85 £	20	92⅛	93⅛	0	0	16.14
Beneficial 14⅛ 90 £	20	85⅛	86	0	−0⅛	17.40
BNP 13⅛ 91 £	15	87⅛	87⅛	−0⅛	−0⅛	16.10
CECA 13⅛ 88 £	20	88⅛	89	0	+0⅛	16.23
Citicorp O/S 13½ 90 £	50	92⅛	93⅛	0	−0⅛	14.93
Fin. Ex. Cred. 13⅛ 86 £	15	91⅛	92⅛	0	−0⅛	16.24
Gen. Elec. Co. 12⅛ 89 £	50	86⅛	87	0	−0⅛	15.58
Hiram Walker 14⅛ 86 £	25	93⅛	94⅛	0	+0⅛	16.09
Privatbanken 14⅛ 88 £	12	90⅛	91⅛	0	+0⅛	16.74
Rothschild 14⅛ 90 £	12	93⅛	94⅛	0	+0⅛	15.56
Royal Trustco 14 86 £	12	93⅛	93⅛	0	+0⅛	16.02
Swed. Ex. Cr. 13⅛ 86 £	20	92	92⅛	0	+0⅛	16.13
Akzo 9⅛ 87 LuxFr	500	89⅛	90⅛	0	−0⅛	11.62
Euratom 9⅛ 88 LuxFr	500	83⅛	84⅛	0	−0⅛	13.51
Eurofima 10½ 87 LuxFr	500	90⅛	91⅛	0	−0⅛	12.80
EIB 9⅛ 88 LuxFr	600	86⅛	87⅛	0	−1⅛	12.87
Volvo 9⅛ 87 LuxFr	500	85⅛	86⅛	0	0	12.93

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	98⅛	99⅛	16/12	16⅛	16.94
BBL Int. 5 85	0¼	99⅛	100⅛	20/11	18.31	18.34
BNP 5¼ 88	†0⅛	99⅛	99⅛	23/7	16.44	16.54
CNT 5¼ 86	0⅛	99⅛	99⅛	15/10	16.81	16.90
Christiania Bk. 5½ 91	0⅛	98	98½	5/8	17.31	17.62
Citicorp O/S Fin. 84	†0	99	99⅛	29/7	18.69	18.83
C. Itoh 5¾ 87	0⅛	98⅛	99⅛	18/9	15.44	15.59
Co-operative Bk 6 86	0⅛	99⅛	100⅛	15/11	19.56	19.50
Den Norske Credit 6 90	0⅛	98½	99	5/8	17.31	17.53
Genfinance 5¼ 87	0⅛	96⅛	97⅛	30/12	16.94	17.09
Genfinance 5¼ 92	0⅛	99⅛	99⅛	30/12	18.31	18.43
Giro und Bank 5¼ 91	†0⅛	98⅛	99⅛	23/9	19.06	19.28
GZB 5½ 89	0⅛	98⅛	98⅛	1/8	17.31	17.51
GZB 5¼ 92	0⅛	98⅛	99⅛	5/9	17⅛	17.53
Ind. Bank Japan 5¼ 87	0⅛	99	99⅛	15/10	17.06	17.13
Ind. Bank Japan 5¼ 88	0⅛	98⅛	99⅛	19/10	16.44	16.62
Lloyds Eurofin 8 90 £	0⅛	97⅛	97⅛	6/1	13⅛	13.97
Lloyds Eurofin 5¼ 93	0⅛	98⅛	99	4/12	17.44	17.66
LTCB Japan 5¼ 86	0⅛	99⅛	100⅛	13/12	17⅛	17.27
Man. Hanov. O/S 5¼ 94	†0⅛	99⅛	99⅛	30/8	19.06	19.13
Merrill Lynch O/S 87	0⅛	99⅛	100⅛	7/8	20.44	20.41
Midland Int. Fin. 5¼ 92	0⅛	98⅛	99⅛	5/12	17⅛	17.57
Midland Int. Fin. 3 91	0⅛	98⅛	98⅛	30/10	16.81	17.09
Nacional Fin. 6⅛ 88	0⅛	98⅛	99⅛	25/7	17⅛	17.88
Nacional Fin. 5⅛ 88	0⅛	96⅛	97⅛	25/9	14⅛	15.34
Nat. Bk. Canada 5¼ 88	0⅛	97⅛	98⅛	24/3	14⅛	14.78
Nat. West. 5¼ 94	†0⅛	97⅛	98⅛	14/10	16.19	16.52
Nat. West. 5¼ 91	0⅛	98⅛	99	15/7	5⅛	5.32
Nat. West. 5¼ 92	†0⅛	98⅛	98⅛	22/10	16.81	17.11
Pemex 8 91	0⅛	96⅛	97⅛	8/10	15.31	15.79
Sparebanken 6 87	0⅛	97⅛	98⅛	19/12	16.81	17.13
Standard Chart. 5¼ 90	0⅛	98⅛	99⅛	3/9	17.06	17.21
Svenska Hndlsbk. 5 87	0⅛	99⅛	99⅛	15/1	18⅛	18.19

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	101⅛	102⅛	+4⅛	7.63
Bow Valley Inv. 8 95	4/81	23.12	105⅛	111⅛	+2⅛	9.58
Canon 6⅛ 95	1/81	629	158⅛	163⅛	+2⅛	2.56
Credit Suisse 4⅛ 95	10/79	1236	80	82	−0⅛	−3.03
Digicon Fin. 8½ 95	10/81	29.5	96⅛	98	−0⅛	12.65
Fujitsu 5½ 96	7/81	732	110⅛	111⅛	+0⅛	5.05
Furukawa Elec. 5¼ 96	7/81	300	114	115	+0⅛	−1.51
Hanson O/S Fin. 9½ 96	8/81	2.74	88⅛	90	+0⅛	2.14
Inz Overseas 8¼ 2000	4/81	42	105⅛	106⅛	+0⅛	1.22
Inchcape 8 95	2/81	4.59	66⅛	70⅛	+1⅛	0.93
Kotobukiya Co 7 96	4/81	619	93	94⅛	+0⅛	−1.26
Marion Int. Fin. 9 95	12/80	15.5	80⅛	81⅛	+0⅛	20.77
Marui 6 96	7/81	931	99⅛	100⅛	0	−0.25
Matsushita El 7½ 95	11/80	590	94⅛	95⅛	+0⅛	2.31
NKK 6⅛ 96	7/81	188	115	116	+1⅛	27.05
Ricoh 6⅛ 95	8/80	604	163⅛	165⅛	0	−1.11
Sumitomo M. Ind 7 95	2/81	181	148⅛	149⅛	+2	−0.20
Swiss Bk. Cpn. 6⅛ 90	3/80	200	74	76	−0⅛	34.14
Taylor Woodrow 8⅛ 90	1/81	4.94	88⅛	90⅛	+0⅛	1.00
Transco Int 8⅛ 95	2/81	68	82⅛	83⅛	+1⅛	27.89
Tricorp 8½ 95	12/80	21.25	82⅛	83⅛	+1⅛	8.24
Union Bk. Switz 5 93	2/80	70.79	73⅛	75	0	6.23
Sharp Cpn 6½ 88 DM	9/80	595	206⅛	208⅛	−1⅛	−1.31
Uny Co. 6½ 85 DM	11/79	879.3	118⅛	119⅛	−0⅛	−1.67

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate († three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AMERICAN QUARTERLIES

ALASKA AIRLINES

Second quarter	1981 $	1980 $
Revenue	47.1m	31m
Net profits	2.23m	1,321,000
Net per share	0.36	0.20
Six months		
Revenue	80.7m	52.9m
Net profits	1.16m	13.4m
Net per share	0.12	†0.60

†Loss

ALBERTO-CULVER

Third quarter	1980-81 $	1979-80 $
Revenue	77m	59m
Net profits	1.6m	1.2m
Net per share	0.41	0.31
Nine months		
Revenue	213.2m	164.4m
Net profits	4.2m	3.2m
Net per share	1.09	0.78

ALLEGHENY INTERNATIONAL

Second quarter	1981 $	1980 $
Revenue	435.6m	239m
Net profits	25m	22m
Net per share	2.33	2.04
Six months		
Revenue	822.9m	467m
Net profits	45.6m	33.4m
Net per share	4.23	2.85

C. R. BARD

Second quarter	1981 $	1980 $
Revenue	79.8m	55.5m
Net profits	5.56m	3.83m
Net per share	0.56	0.40
Six months		
Revenue	161.5m	108.4m
Net profits	10.75m	7.52m
Net per share	1.10	0.77

CONTINENTAL TELEPHONE

Second quarter	1981 $	1980 $
Revenue	381m	318.7m
Net profits	37.7m	29.6m
Net per share	0.58	0.54
Six months		
Revenue	701.6m	624m
Net profits	65.1m	58.4m
Net per share	1.10	1.02

CRANE

Second quarter	1981 $	1980 $
Revenue	434.9m	368.5m
Net profits	15.14m	10.82m
Net per share	1.48	1.05
Six months		
Revenue	809.8m	759.2m
Net profits	25.31m	20.33m
Net per share	2.46	1.97

DIAMOND INTERNATIONAL

Second quarter	1981 $	1980 $
Revenue	327.6m	272.6m
Net profits	9.56m	7.51m
Net per share	0.61	0.53
Six months		
Revenue	651.8m	547m
Net profits	19.43m	16.75m
Net per share	1.22	1.20

W. W. GRAINGER

Second quarter	1981 $	1980 $
Revenue	232.8m	199.6m
Net profits	14.40m	10.14m
Net per share	1.02	0.72
Six months		
Revenue	416.8m	367.1m
Net profits	23.74m	18.83m
Net per share	1.67	1.34

AMERICAN HOME PRODUCTS

Second quarter	1981 $	1980 $
Revenue	1.02bn	924.9m
Net profits	111m	100.3m
Net per share	0.71	0.64
Six months		
Revenue	2.15bn	1.94bn
Net profits	238.5m	213.8m
Net per share	1.52	1.36

BANKERS TRUST NEW YORK

Second quarter	1981 $	1980 $
Net profits	42.3m	58.6m
Net per share	1.56	2.22
Six months		
Net profits	80.1m	106.9m
Net per share	3.07	4.10

FRUEHAUF

Second quarter	1981 $	1980 $
Revenue	590.8m	507.8m
Net profits	7.63m	5.5m
Net per share	0.62	0.45
Six months		
Revenue	1.12bn	1.1bn
Net profits	12.72m	14.38m
Net per share	1.04	1.23

G. HEILEMAN BREWING

Second quarter	1981 $	1980 $
Revenue	266.6m	228.6m
Net profits	15.12m	10.85m
Net per share	1.09	0.83
Six months		
Revenue	462.4m	402.1m
Net profits	19.59m	16.49m
Net per share	1.49	1.26

HILTON HOTELS

Second quarter	1981 $	1980 $
Revenue	160.8m	143.4m
Net profits	29.9m	27.5m
Net per share	1.12	1.04
Six months		
Revenue	307.7m	283.3m
Net profits	56.9m	54m
Net per share	2.14	2.04

IC INDUSTRIES

Second quarter	1981 $	1980 $
Revenue	1.04bn	1.03bn
Net profits	25.2m	23m
Net per share	1.16	1.06
Six months		
Revenue	2.08bn	2bn
Net profits	48.3m	45.5m
Net per share	2.21	2.10

LIBBEY-OWENS-FORD

Second quarter	1981 $	1980 $
Revenue	341.3m	273.6m
Net profits	14.1m	7.2m
Net per share	1.18	0.54
Six months		
Revenue	653.1m	579.5m
Net profits	20.6m	13.3m
Net per share	1.64	0.98

PHILIP MORRIS

Second quarter	1981 $	1980 $
Revenue	2.9bn	2.5bn
Net profits	184.5m	151.2m
Net per share	1.48	1.21
Six months		
Revenue	5.4bn	4.7bn
Net profits	334.1m	273.7m
Net per share	2.68	2.19

NATIONAL DISTILLERS AND CHEMICAL

Second quarter	1981 $	1980 $
Revenue	522.3m	500m
Net profits	34.49m	29.62m
Net per share	1.00	0.86
Six months		
Revenue	1.03bn	1.05bn
Net profits	68.81m	72.73m
Net per share	2.00	2.16

OLIN

Second quarter	1981 $	1980 $
Revenue	544.6m	486.5m
Net profits	32.89m	27.16m
Net per share	1.27	1.13
Six months		
Revenue	1.07bn	984.6m
Net profits	61.34m	49.24m
Net per share	2.55	2.05

PACIFIC GAS AND ELECTRIC

	1981 $	1980 $
Revenue	1.45bn	1.16bn
Net profits	104.1m	90.16m
Net per share	0.83	0.86
12 months		
Revenue	5.72bn	4.82bn
Net profits	416.7m	381.8m
Net per share	3.45	3.43

PENN CENTRAL

Second quarter	1981 $	1980 $
Revenue	[illegible]	[illegible]
Net profits	[illegible]	[illegible]
Net per share	[illegible]	[illegible]
Six months		
Revenue	[illegible]	[illegible]
Net profits	[illegible]	45.7m
Net per share	[illegible]	[illegible]

SOUTHWEST FLORIDA BANKS

Second quarter	1981 $	1980 $
Net profits	3.38m	2.53m
Net per share	0.53	0.45
Six months		
Net profits	6.68m	5.05m
Net per share	1.13	0.90

TRANE

Second quarter	1981 $	1980 $
Revenue	210m	181.4m
Net profits	10.29m	10.01m
Net per share	1.01	0.99
Six months		
Revenue	403.5m	370.9m
Net profits	17.59m	18.49m
Net per share	1.71	1.82

TRW

Second quarter	1981 $	1980 $
Revenue	1.37bn	1.27bn
Net profits	63.9m	57.9m
Net per share	1.86	1.78
Six months		
Revenue	2.72bn	2.49bn
Net profits	118.9m	105.9m
Net per share	3.46	3.25

UNION CAMP

Second quarter	1981 $	1980 $
Revenue	444.8m	391.5m
Net profits	48.83m	43.96m
Net per share	2.01	1.81
Six months		
Revenue	881.4m	778.9m
Net profits	88.94m	83.65m
Net per share	3.66	3.44

USAIR

Second quarter	1981 $	1980 $
Revenue	[illegible]	[illegible]
Net profits	[illegible]	[illegible]
Net per share	[illegible]	[illegible]
Six months		
Revenue	[illegible]	[illegible]
Net profits	[illegible]	[illegible]
Net per share	[illegible]	[illegible]

WHY LONRHO HAD THE EDGE IN TRANSPORT DEAL

Kuehne/Rowland: schooling counts

BY JOHN WICKS IN ZURICH

WHEN LONRHO, the British conglomerate, announced the acquisition of a 50-per cent stake in Kuehne and Nagel last month, it bought into a business which showed considerable recovery last year. Lonrho is paying the Kuehne family DM 90m ($36.7m) for half the capital of the group's three regional holding companies, while the remaining 50 per cent will serve as security for a DM 30m loan to a family company.

In Zurich this week, Mr Klaus-Michael Kuehne—now to act as co-chairman with Mr Roland "Tiny" Rowland—said he was very satisfied with 1980 results and optimistic for the future of the group—one of the world's largest transport concerns.

Yet the rise in earnings should not obscure the fact that SwFr 5m of last year's net profits resulted from the sale and lease-back of Canadian warehouses by the western-hemisphere division. Even excluding this, a sharp rise in after-tax earnings put all three regional holding companies back in the black.

Until the deal with Lonrho was announced, the group had been wholly owned by the Kuehnes since 1907, latterly with 86-year-old Mr Alfred Kuehne as sole proprietor of the international and western-hemisphere companies and his son Klaus-Michael partner to a Kuehne family company in the German division. The family says it had been anxious to take in new shareholders.

But the search for outside capital became urgent when the family and its banks realised the extent of the losses incurred by the group's shipping operations, since liquidated. In the early 1970s the Kuehnes had decided to diversify into this field, and bought six vessels to work under different flags. The bottom fell out of the shipping market in about 1975. On top of the resultant operating losses,

Profits of Kuehne and Nagel rose 165 per cent last year to SwFr 15.9m ($7.71m) after tax from SwFr 6m the previous year, while total turnover advanced by 14 per cent to SwFr 3.27bn ($1.5bn), Mr Klaus-Michael Kuehne and Mr Roland "Tiny" Rowland, joint chairmen, announced yesterday

the value of the ships declined by the time they were sold off in 1978 and 1979—too late, as Mr Klaus-Michael Kuehne freely admits.

Although the shipping business had been carried on outside the framework of the group proper by a family-owned company, it was partially financed by Kuehne & Nagel Deutschland. Losses incurred were initially put at some DM 90m ($36.7m) but are now said to be in the region of DM 100m. However, some payments are still due to the group from the former shipping business and 10-15 per cent of the loss is expected to be made good.

The whole shipping episode has now come to an end. The loss-making operations had nothing to do with the group's Unimar Shipping Corporation, whose stake in shipbroking companies is said to be showing excellent development.

This does not mean that the Kuehne & Nagel concern as it stands today is without problems. Management is still faced with what it calls a number of "weak points." These lie primarily among group activities in European overland transport and European warehousing, with specific problems in Holland, Belgium, Switzerland and the UK. These are being tackled, though, and Mr Kuehne insists that there are no more skeletons in the cupboard.

Lonrho has said it thinks Kuehne & Nagel has "enormous potential." The participation means diversifications in the field of transport and services, as well as providing operations in geographical areas where Lonrho has little business of its own—such as Canada, the Near and Middle East and certain European countries.

The British group itself already carries out some work in the forwarding field. Kuehne and Nagel expects to cooperate closely with Lonrho in this sector in Kenya and Nigeria, while in the medium term there might also be some chance to link up with Lonrho's British travel and freight-agent company, Kendall Globe.

For Mr Klaus-Michael Kuehne, the arrangement with Lonrho is the "optimum solution," ensuring not only new funds but also a connection to a worldwide group on the basis of what he calls equal rights and equal duties. It is, incidentally, highly unlikely that Lonrho in time will come by the other half of the capital. Long-term repayment of the loan to the family is seen as secure and part of the sum can already be accounted for.

Personal chemistry seems to have played a considerable role in the transaction. Apart from the fact that Mr Rowland had been to the same Hamburg school as Mr Klaus-Michael Kuehne, the two men seem to have hit it off very well. Mr Kuehne, incidentally, another extremely tall man, says openly that it was not only the price Lonrho paid which decided matters, and claims he could have got a higher one elsewhere.

Lonrho certainly did not have the field to itself. Some 30 to 40 companies showed initial interest in the Kuehne and Nagel shareholding. Of these, 10 were considered as "serious contenders."

One of the most likely candidates was Lufthansa, the German division accounting for more than 40 per cent of total Kuehne and Nagel business. The airline's candidature failed not least for reasons of German cartel law. Had Lufthansa wanted more than 25 per cent of the capital, it appears that the Federal Cartel Bureau would have come up with a veto.

Ciba-Geigy lifts half-year sales

BY JOHN WICKS IN ZURICH

CIBA-GEIGY, the Swiss-based chemical group raised turnover to SwFr 7.63bn ($3.69bn) in the first half of this year, an increase of 18 per cent over sales for the corresponding total in 1980, according to a letter to shareholders from the parent company based in Basle.

The letter said that growth can be attributed partly to the weakening of the Swiss franc. In terms of local currencies, the increase was no more than 11 per cent.

Only the Ilford division, active in the photographic sector, showed an actual decline during the six-month period, turnover falling off by 21 per cent to SwFr 254m. However, Ciba-Geigy points out that this drop was the result of three product lines being discontinued and was "less than had been expected."

The most substantial growth rates were those of the two biological divisions, with pharmaceutical sales up 25 per cent to SwFr 1.94bn and those of agro-chemicals by 30 per cent to SwFr 2.34bn. Turnover of these two divisions was particularly strong in the U.S.

The two industrial divisions continued to feel the effects of the recession. The dyestuffs and chemicals sector advanced by 7 per cent to SwFr 1.14bn and a similar rise for the plastics and additives sector brought sales to SwFr 1.38bn.

The electronic equipment division also showed a 7 per cent increase to SwFr 230m.

Group operating profit in 1980 declined by SwFr 22m to SwFr 305m after the introduction of current value accounting.

Y21bn issue by Sumitomo Corporation

By Our Financial Staff

SUMITOMO CORPORATION, the Japanese trading house, has joined the trend among Japanese companies to raise funds by way of equity issues. It plans to offer 40m Y50 par value shares to the public at the going market price, with payment to be made on September 30. At last night's price, such an issue would bring in some Y21.2bn, equivalent to around $90m.

The issue by Smuitomo comes at a time when Toyota Motor, the largest of the Japanese car manufacturers, has announced plans to issue 70m shares, to bring in Y99bn ($435m), the largest amount ever for a Japanese company.

It also comes with Toshiba Corporation, the electrical equipment maker, having announced plans to raise Y80bn by way of an issue of 200m shares, which at current prices would bring it come Y80bn.

The Sumitomo issue will raise the company's capital to Y28.02bn from Y26.0bn. Plans have also been announced for a one-for-ten scrip issue to be made to shareholders at the end of next March.

Sumitomo's Y50 par value shares closed yesterday in Tokyo at Y529, up £4 on the day.

Capital boost for Nestle unit in Argentina

By Our Zurich Correspondent

NESTLÉ, the Swiss-based food group, has obtained permission from the Argentinian Government to increase the share capital of its loss-making subsidiary in Buenos Aires by the equivalent of $40m.

The capital injection is part of a plan to reorganise the Argentinian company, where the large 1980 deficit was primarily responsible for a drop in Nestlé group consolidated earnings to SwFr 683m ($329m) from SwFr 816m.

Industrie Pirelli confident of improved annual profit

BY JAMES BUXTON IN ROME

INDUSTRIE PIRELLI, the Italian operating company of the Pirelli tyres and cables group, expects to have improved results for 1981 in comparison with last year, when it made its first profit for ten years.

Sig Leo Poldo Pirelli, chairman of the holding company, Pirelli SpA, told shareholders in Milan yesterday that the first half of 1981 had gone better than the first half of 1980 and that "barring some thing tragic" this year's results would be better.

Last year Industrie Pirelli made modest profits of L3bn ($2.48m) on sales of over L1,300bn.

Sig Pirelli said that in the first half of 1981 company sales had risen in line with the Italian wholesale price index at an annual rate of 17-18 per cent.

Sig Pirelli said that the second capital raising operation for Pirelli SpA within a few months would go ahead at the end of August. The company is raising a total of L82.06bn

Kevin Rafferty on one of Hong Kong's fastest growing business empires

Li Ka-Shing spreads his wings

THE OPENING day of 1981 stands as a landmark in the history of Hong Kong: a Chinese businessman took over as *taipan*, or, great manager, of one of the old established hongs, or old-established, British-owned trading houses. It was no more than a small landmark, because Li Ka-Ehing was already the largest shareholder in Hutchison Li Ka-Shing was already controlled his own company, Cheung Kong Holdings, which this year became the second company to post annual net profits in excess of HK$ 1bn, achieving a figure of HK$ 1.5bn ($270m).

In market capitalisation, Cheung Kong, at HK$ 10.5bn has already moved from nearly *nowhere a few years ago to the* No 5 position, which puts it above Hutchison, at No 6, and above Jardine Matheson, which long rejoiced in the tag of the princely hong, but has slipped to seventh place. Internationally, Cheung Kong would come in the top 15 in Britain and in the top 40 in Japan. In the U.S. it would figure above Heinz and Chase Manhattan Bank.

The Chinese in Hong Kong are claiming their inheritance. Chinese businessmen are proving that they are as capable as the long-established British. Men like Li Ka-Shing and Sir Yue-Kong Pao, *the controller* of a shipping empire, have been singled out by the Chinese Com*munists, who wish to understand* how the big business world works.

These days, hardly a week passes without Mr Li figuring prominently in the news. Only *last month* the new property company of which he is chairman, International City Hold*ings*, hit the headlines because its HK$ 450m new issue was oversubscribed nearly 12 times.

Li Ka-Shing followed the trusted Hong Kong route from rags to riches — hard work and individual enterprise. He was no one of the already experienced businessmen who migrated from Shanghai after the Communists took over in China. He was born in Chiuchow in Guangdong Province in 1928 and came to the British colony at the age of 11. He left school at 13 to sup*port his family* after his father died, becoming a salesman, and then manager of a toy factory. *In 1950 he struck out on his* own, making plastic toys and household goods with a company called Cheung Kong Enterprises. When the boom in plastic flowers occurred, Mr Li was at the centre of the action.

He turned to property in 1958, and has built an empire which ranks after the Government and Hongkong Land. Cheung Kong Holdings properties include some prime slices of Hong Kong, like the Hilton Hotel, the Admiralty Centre, Worldwide House and Tsuen Wan Industrial Centre.

Mr Li gives the impression of being ultrasensitive to criticism. His office collects articles about him and marks offending passages in bright green with appropriate comments opposite them, referring to Mr *Li* in a lofty third person.

His purchase for HK$625m in 1979 of a block of 90m shares, or just over 22 per cent, in Hutchison Whampoa (Cheung Kong's holding has since been raised to more than 40 per cent) in a deal with the Hongkong Bank was hailed as a coup.

Suggestions at the time were that it was a "political" deal. Analysts asked if the bank saw Mr Li as a friend of Peking, or whether it was banking on the good business he might bring either directly or indirectly. *The sale at HK$7.10 a share on* deferred terms proved a very good investment as Hutchison shares closed last night at HK$24.2.

Mr Li's first substantial *industrial venture, a deal made* to build a cement plant in the New Territories, was struck with American and mainland Chinese interests. He has a number of property joint ventures with China, including two with the Peking controlled Kiu Kwong Investments to develop MTR sites, as well as plans for a 1,200 room hotel in Canton.

But, as Cheung Kong, which means "long river," has flowed on, it has gone into joint ventures with the biggest names in the Colony. It has a 16.5 per cent interest in a six company consortium to build 900,000 square feet of offices in Tsim Tsa Tsui in Kowloon. With China Resources, Trafalgar Housing and Wheelock Marden, it is involved in a venture to build a whole new city in Tin Shui Wai in the New Territories. The international city holdings venture, of which Mr Li is chairman, sees Cheung Kong involved with Hong Kong Electric (which has just under 30 per cent to Cheung Kong's 30.06 per cent) and with Wheelock Marden, holding 12.20 per cent, and with Hong Kong Land and Sun Hung Kai Properties taking smaller stakes.

Deals such as these means that Mr Li is now regarded in *Hong Kong* as the property master. His technique has been to develop the property and sell *quickly thus realising* huge development profits and pushing up Cheung Kongs earnings from house to *skyscraper size in* the last five years net profits before extraordinary items show a progression HK$58.9m to HK$85.6m, to HK$132.6m, to HK$254.1m, and to HK$701.3m.

Mr Li's presents the image of the successful man, but a highly conservative one. He dresses neatly, in dark business suits which make his small figure appear even slighter. He sits compactly and answers with model courtesy, almost as if *taking* care not to reveal the real man inside. He seems uncertain of his English, which is perhaps why he economises on *what he says*, though he understands perfectly.

To questions about his present day activities Mr Li replies with the straightness of straight bats. About Hutchison Whampoa's future, he says: "Hutchison Whampoa will plan for its future in the best interests of *its shareholders. He added that* if asked to choose between a property venture bringing a dollar for every dollar spent or a non-property venture bringing 70 cents, he would support the non-property deal first.

These days hardly a week passes without Mr Li Ka-Shing (left) figuring prominently in the news. He is a man who has followed the traditional Hong Kong route from rags to riches — hard work and individual enterprise. Mr Li turned to property in 1958, and has *built an empire which ranks* after the Government and Hongkong Land. Latterly he has been broadening into other fields, as shown by his building up a stake of more than 40 per cent in Hutchinson Whampoa, the trading *house*

Sharp rise in orders for Wayss und Freytag

By Kevin Done in Frankfurt

WAYSS UND FREYTAG, *the medium-sized* West German construction group, increased the value of new orders *taken in the first four* months of the year by 63 per cent to DM 443m ($184m).

The Frankfurt-based concern, like most of the big West German building groups, is becoming increasingly dependent on foreign work. New orders this year have been boosted chiefly by a contract from Saudi Arabia worth more than DM 200m for the construction of four sports complexes.

Wayss und Freytag is being hit by falling domestic construction activity arising from the recession and the squeeze on public spending. Domestic new orders increased by 12 per cent in the first four months, but only as a result of a single DM 40m contract for work on the *troubled Brokdorf nuclear* power station.

The fierce competition for *new orders in the home* market is depressing prices and many companies are *taking on loss-making* contracts in order to maintain some activity. Wayss und Freytag said it expects the sharp recession in the building industry to last well into 1982.

As a result of the improved profitability the company is raising its dividend to DM 6 per share through a DM 1 per share bonus compared with the DM 5 paid in 1979. Wayss und Freytag is owned 37 per cent by Dresdner Bank and 63 per cent by AGIV, a holding *company in which BHF* has the largest stake.

● IBH Holding, the West *German building machinery* group in which General Motors has a 19.8 per cent *stake, is projecting* a rise in sales revenues to more than DM 2.5bn ($1.04bn) in the current financial year, writes Stewart Fleming in Frankfurt.

Herr Horst-Dieter Esch, the founder and chief executive, has disclosed that in the first half of the current year the company's sales revenues increased by 8 per cent to DM 1.2bn.

Sappi confident after 44% rise in six-month profits

BY JIM JONES IN JOHANNESBURG

SAPPI, South Africa's largest *pulp and* paper manufacturer, increased operating profit by 44 per cent in the six months to *June 30, 1981, and in confident* about prospects for the rest of the year. First-half operating profit rose to R37.1*m* ($40.7*m*) from R25.7m in the first half of last year, and compared with R58.5m for the whole of 1980. Turnover was R196.9m against R163.3m in the corresponding period of 1980 and R346.9*m for* the year as a whole.

The company says that domestic demand for the company's products was strong, but export prices came under pressure. During the latter part of the half year, however, rising interest rates led to some destocking by local customers. To an extent, this was welcomed by Sappi, which was able to increase stocks, particularly of kraft, which had been depleted in 1980 when demand outstripped supply.

Most operations worked at full capacity during the six six months. But the Stanger Mill, which relies on bassage from Natal sugar cane growers, was affected by raw materials shortages arising from the drought in the cane-growing areas. The company believes that Stanger should operate at full capacity in the current half year.

A new integrated pulp and paper mill is to be built in the eastern Transvaal at an estimated cost of R800m. The project, which is scheduled for completion by 1985, will increase Sappi's overall pulp and paper capacity from 600,000 tonnes to 800,000 tonnes and is to be financed by a combination of debt and retained earnings. This, however, has not yet resulted in an untoward increase in retentions.

An interim dividend of 25 cents has been declared from first-half per share earnings of 97.2 cents. Last year the interim dividend was 15 cents and first-half earnings 66.5 cents a share. *Total per share earnings for* 1980 were 158.5 cents, and the total dividend 57 cents.

Although the company believes that recent economic measures will dampen consumer demand, *and therefore* demand for Sappi's products, it does not expect this to seriously affect second-half results. Provided that imports of paper can be curtailed, sales volumes are expected *to be maintained.* Profits during the second half are expected at least to match those *of the first half.*

Dunswart Steel sees little change after flat first half

BY OUR JOHANNESBURG CORRESPONDENT

DUNSWART STEEL, the South African steel and iron manufacturer which is 71 per cent owned by Gencor, the mining *house*, saw operating income fall to R5.38m in the six months to June 30 from R6.47m in the *previous* six months. In the comparable period of 1980 operating income was R5.11m.

The company is not optimistic about prospects for the second half of the year. It says that local market conditions are likely to deteriorate, while export selling prices will remain weak as world demand for steel is depressed.

The Government allowed a price increase averaging 13.5 per cent on July 3 on the range of products Dunswart makes, but this is not expected to have a material impact on second-half earnings. In addition, Dunswart is to adopt LIFO (last in first out) accounting practices this year, and that, too, is expected to result in a material adjustment to earnings.

Earnings per share during the half year just completed were 15.3 cents against 39.6 cents in the corresponding period of 1980 and 69.4 cents for the whole of 1980. An unchanged interim dividend of 5 cents has been declared.

Nippon Mining forecasts drop in 1981 net

TOKYO — Nippon Mining expects a 35 per cent fall in consolidated net income to Y8bn ($34.8m) during the current business year, from Y12.25bn for the previous year, as a result of a deterioration in its oil business.

Consolidated sales in the current year are expected to rise by 1.5 per cent to Y1,330bn ($5.8bn) from Y1,310bn for 1980-81.

The company made no forecast of earnings per share, but said the sharp rise in earnings per share the previous year resulted from a large foreign exchange profit.

Favourable copper and other non-ferrous metal sales at home during the previous year also contributed to the income rise, despite foreign exchange losses.

Nippon Mining itself showed a Y5.9bn loss on its oil business on a current account basis in the second half of 1980-81.

Consolidated sales to the previous year rose 41 per cent to Y1,310m from Y926bn the preceeding year, following price increases in oil and non-ferrous metals.

Reuter

Fischer gains Eurofer control

BY JOHN WICKS IN ZURICH

GEORG FISCHER of Schaffhausen, the Swiss engineering group, has acquired a majority stake in Eurofer, the Portuguese foundry company. A 50 per cent shareholding which Fischer bought in the company ten years ago has been increased to 60 per cent in agreement with the Portuguese partners.

Eurofer has a workforce of about 750 in the manufacture of castings and fittings and has a plant near Oporto. It will now be integrated into Fischer group production and marketing programmes, according to a statement from Schaffhausen.

Record earnings at NZ Forest Products

BY DAI HAYWARD IN WELLINGTON

NZ FOREST PRODUCTS, New Zealand's largest forest utilisation company, has reported profits up 78 per cent to a record NZ$52.1m (U.S.$44m), on sales up 32 per cent to more than NZ$500m in the year to March, as well as its highest ever export earnings.

An increase in world demand for pulp, paper and timber over the next year is forecast by Mr D. O. Walker, the managing director, who says the company is well placed to meet this.

Sales of NZ$544.2m (U.S.$460m) were up from NZ$411.5m last year. Profits, at NZ$52.1m, were up from NZ$29.2m. However, the 1979-80 profit figure was severely affected by the protracted industrial strike at the company's huge Kinleith plant, and this affects any comparison in results.

This year's profit was helped by the results from UEB, a large packaging company of which Forest Products acquired 40 per cent during the year. UEB is a major customer for NZ Forest Products.

Export sales earned NZ$136m, against NZ$121m the previous year.

The extra exports were achieved despite a downward trend in demand for pulp and paper, particularly from Pacific area countries, where surplus supplies of American and Canadian products created intense competition and reduced prices.

Japan also cut back sharply in its buying of logs and timber during the second half of the financial year. This brought a further drop in prices. Mr Walker points out the vulnerability of depending on one major market—as was the case for logs sales to Japan.

The company has paid a dividend of 22 cents compared with 18½ cents last year. Of the dividend, 15 cents will be tax free.

Assets of the company increased from NZ$543m to NZ$714m—but long-term liabilities increased from NZ$130m to NZ$172m, mainly because of an increase in overseas borrowing.

Production of all major products increased substantially. Pulp production reached 437,000 tonnes, up from 361,000 tonnes. Paper production increased to 276,000 tonnes from 255,000, and sawn timber output, which goes mainly for export was 471,000 tonnes, up from 389,000.

To supply its plants and to meet an expected increase in demand, the company planted a larger area in trees.

NZ Forest Products sells pulp and paper to more than 40 different countries, with Australia, the Philippines, Hong Kong, China and the Middle East the major customers. Australia, Japan and the Pacific islands were the principal buyers of sawn timber.

$ little changed

Dollar eased in late European trading, but finished slightly firmer on the day against most major currencies. The market was sensitive and lacking volume, but seemed to be little affected by comments by Mr Paul Volcker, chairman of the Federal Reserve Board, before the joint economic committee. His remarks gave no clear signal of any change in U.S. monetary policy, while the market also remains cautious ahead of the economic summit meeting in Ottawa.

Sterling lost ground against major currencies in general, reflecting the recent unrest in many parts of Britain, the relatively low level of London interest rates, and the depressed state of the world oil market.

European currencies were generally weaker against the dollar, as a continued reflection of high U.S. interest rates, but the French franc recovered lost ground, despite a lowering of Paris interest rates.

DOLLAR—trade-weighted index (Bank of England) fell to 110.1 from 110.4. The U.S. currency declined to FFr 5.7070 from FFr 5.7275 against the French franc, but improved slightly to DM 2.4095 from DM 2.4075 in terms of the D-mark. The dollar also rose to Y231.25 from Y230.50 against the yen, and to SwFr 2.0730 from SwFr 2.0675 against the Swiss franc.

STERLING—trade-weighted index (Bank of England) fell to 92.1 from 92.4, after opening at 92.2, and falling to 92.0 at noon. The pound touched a peak of $1.8865-1.8875 in early trading, but lost ground during the morning, and fell to a low of $1.8750-1.8760 in the afternoon. It later recovered to $1.8850-1.8860, and closed at $1.8830-1.8840, a fall of 70 points on the day.

D-MARK—Strongest member of the European Monetary System, but still weak against the dollar despite central bank support and a fall in some U.S. interest rates. A reduction in Germany's large balance of payments deficit later this year, reflecting the better competitive position of German exports, may assist a recovery as long as U.S. rates do not show a further rise.—The D-mark improved against most currencies at the Frankfurt fixing. The Bundesbank did not intervene when the dollar fell to DM 2.4139 from DM 2.4275. In the later afternoon the U.S. currency stood at DM 2.4105, but sterling recovered to DM 4.5540 in late trading from a fixing level of DM 4.5380, compared with DM 4.5580 on Wednesday. The Swiss franc eased to DM 1.1636 at the fixing from DM 1.1782, and the Dutch guilder to DM 89.7950 per 100 guilders from DM 89.8150. The French franc rose to DM 42.11 per 100 francs from DM 42.0850, and the Irish punt to DM 3.6480 from DM 3.6470. Among other EMS currencies the Belgian franc, Danish krone, and Italian lira were unchanged.

JAPANESE YEN—Weaker against the dollar in recent months because of the sharp rise in U.S. interest rates, but showing less movement than other currencies thanks to Japan's strong economic performance.—The yen rose against the dollar in hectic Tokyo trading following intervention by the Bank of Japan. The U.S. currency fell to Y230.65 from Y231.35, after opening at Y230.60, and rising to a peak of Y232.65. The authorities gave support to the yen in the morning at the Y231.70 level, but this failed to stop the dollar's advance. In the afternoon the central bank successfully intervened at around Y232.30, pushing the U.S. currency down to its closing level. During the day the Japanese Finance Minister was reported as saying that the Government would intervene to keep the yen from falling further.

THE POUND SPOT AND FORWARD

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8750-1.8875	1.8830-1.8840	0.85-0.95c dis	-5.73	2.25-2.35dis	-4.88
Canada	2.2600-2.2720	2.2685-2.2695	1.10-1.20c dis	-6.08	3.15-3.30dis	-5.68
Nethlnd.	5.04¼-5.07¼	5.05½-5.06½	¼ pm-¼ dis	—	1¼-½ pm	0.79
Belgium	74.20-74.70	74.32-74.42	35-45c dis	-6.61	110-120 dis	-6.18
Denmark	14.18-14.28	14.20-14.21	5½-7ore dis	-5.27	16¼-17¾dis	-4.82
Ireland	1.2420-1.2500	1.2445-1.2460	0.16-0.28p dis	-2.12	0.53-0.61dis	-2.31
W. Ger.	4.53-4.56	4.53½-4.54½	½pf pm-par	0.66	1¼-¾ pm	0.89
Portugal	120.50-121.50	120.90-121.10	55-65c dis	-5.95	140-150 dis	-4.79
Spain	181.25-182.25	181.50-181.70	80-95c dis	-5.78	220-260 dis	-5.28
Italy	2258-2270	2261-2263	33-36 lire dis	-18.04	89-92 dis	-16.00
Norway	11.36-11.43	11.38-11.39	½ore pm-½ dis	-0.03	2¼-¾ pm	0.48
France	10.74-10.81	10.74-10.75	6½-8c dis	-9.77	24-26 dis	-9.12
Sweden	9.59-9.71	9.66½-9.69½	1½-2½ore dis	-2.32	4¼-5¼ dis	-1.96
Japan	432-440	435-436	2.30-1.90y pm	5.79	6.75-6.35 pm	6.02
Austria	31.85-32.20	31.87-31.92	3gro pm-2 dis	0.19	8-5 pm	0.81
Switz.	3.89-3.92	3.90-3.91	1¾-1¼c pm	4.22	4-3 pm	3.58

Belgian rate is for convertible francs. Financial franc 78.00-78.10. Six-month forward dollar 3.80-3.90c dis. 12-month 5.25-5.45c dis.

THE DOLLAR SPOT AND FORWARD

July 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8750-1.8875	1.8830-1.8840	0.85-0.95c dis	-5.73	2.25-2.35dis	-4.88
Ireland†	1.5080-1.5130	1.5110-1.5120	0.40-0.50c dis	-3.58	0.95-1.05dis	-2.46
Canada	1.2037-1.2060	1.2039-1.2042	0.15-0.20c dis	-1.74	0.33-0.38dis	-1.24
Nethlnd.	2.6770-2.6895	2.6840-2.6860	1.55-1.45c pm	6.71	4.13-4.03 pm	6.09
Belgium	39.46-39.60	39.52-39.56	1-2c dis	-0.91	par-6 dis	-0.30
Denmark	7.5350-7.5725	7.5350-7.5400	0.10orepm-0.15dis	-0.04	¾ pm-¾ dis	—
W. Ger.	2.4050-2.4210	2.4090-2.4100	1.33-1.27pf pm	6.47	3.58-3.52 pm	5.89
Portugal	64.15-64.45	64.15-64.35	35-60c dis	-2.33	90-170 dis	-2.33
Spain	96.45-96.65	96.55-96.60	5c pm-5 dis	—	15-30 dis	-0.93
Italy	1198-1205	1199-1201	10-14 lire dis	-12.09	32-35 dis	-11.16
Norway	6.0450-6.0550	6.0450-6.0500	3-2¼ore pm	5.46	8.20-7.90 pm	5.33
France	5.7045-5.7250	5.7065-5.7095	1¼-2¼c dis	-4.20	5½-6½ dis	-4.20
Sweden	5.1330-5.1510	5.1330-5.1370	1.55-1.85ore pm	2.61	3.70-3.60 pm	2.80
Japan	230.55-231.50	231.20-231.30	2.30-2.15y pm	11.54	6.40-6.25 pm	10.94
Austria	16.93-17.01	16.93-16.94	9.30-7.80gro pm	6.06	26½-20½ pm	5.31
Switz.	2.0570-2.0810	2.0725-2.0735	1.22-1.17c pm	10.25	4.42-4.32 pm	8.43

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

July 16	Bank of England Index	Morgan Guaranty Changes %
Sterling	92.1	-31.8
U.S. dollar	110.1	+3.6
Canadian dollar	85.1	-17.1
Austrian schilling	112.0	+21.6
Belgian franc	111.5	+6.0
Danish kroner	86.2	-11.2
Deutsche mark	116.8	+38.2
Swiss franc	135.2	+84.0
Guilder	106.0	+13.6
French franc	81.4	-11.1
Lira	57.4	-55.9
Yen	140.0	+34.1

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.609978	0.552715
U.S. $	14	1.15833	1.05772
Canadian $	19.09	1.37033	1.24900
Austria Sch	6¾	19.5811	17.7580
Belgian F	13	45.7263	41.8883
Danish K	11	8.66813	7.89085
D mark	7½	2.79330	2.53011
Guilder	9	3.07891	2.80579
French Fr	14	6.66815	5.98765
Lira	19	1390.68	1255.64
Yen	6¼	262.254	240.129
Norwgn. Kr	9	6.95471	6.31972
Spanish Pts	8	110.490	100.757
Swedish Kr	12	5.97264	5.35309
Swiss Fr	3	2.38563	2.15794
Greek Dr'ch	20½	Unavail.	61.6403

OTHER CURRENCIES

July 16	£	$		£ Note Rates
Argentina Peso	8798-8819†	4675-4684†	Austria	31.75-32.10
Australia Dollar	1.6405-1.6445	0.8725-0.8730	Belgium	77.30-78.10
Brazil Cruzeiro	174.51-175.51	92.74-93.20	Denmark	14.15-14.30
Finland Markka	8.49-8.51	4.5110-4.5120	France	10.70-10.80
Greek Drachma	108.295-112.642	58.90-59.00	Germany	4.53½-4.56½
Hong Kong Dollar	10.75½-10.76½	5.7060-5.7090	Italy	2250-2275
Iran Rial	152.00*	81.00*	Japan	432-439
Kuwait Dinar(KD)	0.5350-0.5356	0.2827-0.2829	Netherlands	5.04-5.07
Luxembourg Fr	74.32-74.42	39.47-39.49	Norway	11.33-11.44
Malaysia Dollar	4.4075-4.4175	2.3410-2.3460	Portugal	118-124
New Zealand Dlr	2.2335-2.2385	1.1875-1.1885	Spain	175½-182
Saudi Arab. Riyal	6.39-6.45	3.4100-3.4125	Sweden	9.55-9.72
Singapore Dollar	4.0475-4.0575	2.1520-2.1540	Switzerland	3.88½-3.92½
Sth African Rand	1.7270-1.7290	0.9170-0.9180	United States	1.87¼-1.89¼
U.A.E. Dirham	6.89-6.95	3.6725-3.6745	Yugoslavia	70-75

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 11,802-11,822 and for the dollar 6,250-6,300. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.2964	+1.22	+1.39	±1.5361
Danish Krone	7.91917	7.8836	-0.39	-0.22	±1.6413
German D-Mark	2.54502	2.5184	-1.03	-0.86	±1.1356
French Franc	5.99526	5.97457	-0.34	-0.17	±1.3639
Dutch Guilder	2.81318	2.80588	-0.26	-0.09	±1.5159
Irish Punt	0.685145	0.690927	+0.84	+1.01	±1.6689
Italian Lira	1262.92	1254.47	-0.67	-0.67	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 16	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.884	4.540	435.5	10.745	3.905	5.060	2262.	2.269	74.37
U.S. Dollar	0.531	1.	2.410	231.2	5.705	2.073	2.686	1201.	1.205	39.49
Deutschemark	0.220	0.415	1.	95.93	2.367	0.860	1.115	498.2	0.500	16.38
Japanese Yen 1,000	2.296	4.325	10.42	1000.	24.67	8.967	11.62	5194.	5.210	170.8
French Franc 10	0.931	1.753	4.225	405.3	10.	3.634	4.709	2105.	2.112	69.21
Swiss Franc	0.256	0.482	1.163	111.5	2.752	1.	1.296	579.3	0.581	19.04
Dutch Guilder	0.198	0.372	0.897	86.07	2.124	0.772	1.	447.0	0.448	14.70
Italian Lira 1,000	0.442	0.833	2.007	192.5	4.750	1.726	2.237	1000.	1.003	32.88
Canadian Dollar	0.441	0.830	2.001	191.9	4.735	1.721	2.230	996.9	1.	32.78
Belgian Franc 100	1.345	2.533	6.105	585.6	14.45	5.251	6.804	3042.	3.051	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 16)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 5/16	offer 18 7/16	bid 17 15/16	offer 18 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

July 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12¼-12½	18¼-18½	16-18	11½-11¾	1-1½	11¾-11⅞	22-24	20-25	14-18	6-6⅛
7 days' notice	12¾-12⅞	18¼-18½	16-18	11¾-11⅞	2-2½	11¾-11⅞	22-24	30-37	16-20	6¼-6⅜
Month	13-13¼	18⅝-18¾	18⅞-19⅛	11⅞-12	8¾-8⅞	12⅛-12¼	22¾-23¾	30½-32½	17½-18½	6¾-7
Three months	13⅝-13¾	18⅛-18¼	18½-19	12¼-12½	9¾-9⅞	12 5/16-12 7/16	22½-23½	29½-31	17¾-18¾	7⅛-7⅜
Six months	13⅝-13¾	17⅞-18	18¼-19	12¼-12½	10-10⅛	12½-12⅝	21-22	28¾-29¾	18-19	7¾-8
One Year	13⅞-14⅛	17⅛-17¼	17¾-18¼	12⅛-12½	9¼-9⅜	12 5/16-12 7/16	19-20	26¾-27¾	16¾-17¾	8-8¼

SDR linked deposits: one-month 15⅞-15 13/16 per cent; three-months 15 11/16-15 13/16 per cent; six-months 15 7/16-15 11/16 per cent; one-year 14⅝-15 per cent.
ECU linked deposits: one-month 15 15/16-16⅛ per cent; three-months 15⅞-16⅛ per cent; six-months 15 13/16-16 1/16 per cent; one-year 15⅛-15⅜ per cent.
Asian $ (closing rates in Singapore): one-month 18¼-18⅜ per cent; three-months 18-18⅛ per cent; six-months 17 9/16-17 11/16 per cent; one-year 16 7/16-16 11/16 per cent. Long-term Eurodollar two-years 15⅞-16⅛ per cent; three-years 15¾-16 per cent; four-years 15⅞-16⅛ per cent; five-years 15¾-16 per cent nominal closing rates. The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.15-18.25 per cent; three-months 17.85-17.95 per cent; six-months 17.45-17.55 per cent; one-year 16.20-16.40 per cent.

MONEY MARKETS

Bank drains surplus

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Conditions remained comfortable in the London money market yesterday, and although the authorities stayed on the sidelines during the morning, they intervened later to sell a small amount of Treasury bills maturing on August 14 at rates between 12⅜ per cent and 12½ per cent to the discount houses and banks.

Banks brought forward small surplus balances, while the authorities held a small number of maturing Treasury bills. Discount houses paid around 11½ per cent for secured call loans in the morning, with closing balances taken at 10½-11½ per cent.

In the interbank market overnight money opened at 12¼-12½ per cent, and fell to 10 per cent at the close.

Short-term interest rates were generally steady in dull trading, with the three-month interbank unchanged at 13⅝-13¾ per cent. Discount houses buying rates for three-month eligible bank bills continued their recent upward trend however, to 13 5/16-13⅜ per cent from 12 15/16-13 1/16 per cent.

In Paris call money fell to 18½ per cent from 18¾ per cent, where it had been since July 6. The rate has tended to ease recently from the 20 per cent level touched on the election of M Mitterrand as President. One-month money also eased by ⅛ per cent yesterday to 17⅞-18⅛ per cent, but longer term rates were unchanged. Later in the morning the Bank of France announced that it is prepared to add liquidity to the money market by the repurchase of first category paper and Treasury bills for value Tuesday July 21. The central banks' last intervention rate for first category paper was 18⅞ per cent on July 9.

In Frankfurt call money eased to 11.80-11.90 per cent from 11.90-12.00 per cent, while one-month funds also declined, but six-month and 12-month money were unchanged.

In Amsterdam call money rose to 11⅜-11⅝ per cent from 11⅛-11⅜ per cent. Fixed period rates showed little change, with one-month quoted at 11½-12 per cent, and three-month at 11⅞-12⅛ per cent against 12-12⅛ per cent. Six-month and 12-month money were unchanged at 12-12½ per cent.

MONEY RATES

NEW YORK

Prime rate	20½
Fed. funds	19⅜-19½
Treasury bills (13-week)	14.76
Treasury bills (26-week)	14.62

GERMANY

Special Lombard	12.00
Overnight rate	11.85
One month	12.725
Three months	12.90
Six months	12.95

FRANCE

Intervention rate	18.25
Overnight rate	18.50
One month	18.00
Three months	17.25
Six months	16.75

JAPAN

Discount rate	6.25
Call (unconditional)	7.375
Bills discount (three-month)	7.46875

GOLD

Further rise

Gold rose $2½ to close at $416½-418½ in the London bullion market yesterday. Trading was moderately active, with the metal opening at $411-412½, the lowest level of the day. It was fixed at $417.25 in the morning, and $418.25 in the afternoon. Fears of further hostilities in the Middle East between Israel and its neighbours pushed gold to $420-421 in New York shortly after the London close.

In Paris the 12½ kilo gold bar was fixed at FFr 99,500 per kilo ($485.81 per ounce) in the afternoon, compared with FFr 99,500 ($485.39) in the morning, and FFr 90,000 ($485.14) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 32,400 ($417.50) against DM 31,940 ($409.00) and finished at $417½-419½, compared with $411½-413½.

In Luxembourg the 12½ kilo bar was fixed at LFr 554,000 per kilo ($414.50 per ounce), compared with LFr 548,500 ($407.55).

In Zurich gold closed at $417-420, against $411-414.

	July 16		July 15	
Gold Bullion (fine ounces)				
Close	$416½-418½	(£218-219)	$414-416	(£220-221)
Opening	$411-412½	(£220¼-222)	$408-409	(£217¼-218)
Morning fixing	$417.25	(£221.706)	$408	(£217.171)
Afternoon fixing	$418.25	(£222.001)	$412.25	(£218.956)
Gold Coins				
Krugerrand	$428-429	(£227½-228)	$429½-430½	(£226¾-227½)
1/2 Krugerrand	$222-225	(£118-118½)	$221½-222½	(£117-117½)
1/4 Krugerrand	$113-114	(£60-60½)	$113-114	(£59¾-60¼)
1/10 Krugerrand	$46-47	(£24½-25)	$46-47	(£24¼-24¾)
Mapleleaf	$419-420	(£222¾-223¼)	$419-422	(£221¼-223)
New Sovereigns	$103¾-104½	(£55-55½)	$104-104¾	(£55-55½)
King Sovereigns	$115-117	(£61-62)	$114-116	(£60¼-61¼)
Victoria Sovs	$115-117	(£61-62)	$114-116	(£60¼-61¼)
French 20,s	$109-115	(£58-61)	$110-115	(£58-60¾)
50 pesos Mexico	$516-520	(£274¼-276½)	$518-522	(£273½-275¾)
100 Cor. Austria	$401-405	(£213¼-215¼)	$403-407	(£212¾-215)
$20 Eagles	$542-547	(£288¼-290¾)	$538-543	(£284¼-286¾)

LONDON MONEY RATES

July 16 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-12½	12¼	—	—	12-12⅛	10⅞-11½	—	—	—
2 days notice	—	[illegible]	12⅝	—	—	—	—	—	—	—
7 days or	—	[illegible]	—	—	—	—	—	—	—	—
7 days notice	—	[illegible]	12¾	—	12⅜	12¼-12⅝	11⅞-12	—	—	—
One month	[illegible]	[illegible]	12⅞	13½-13⅜	13½	12 9/16-13	12⅛	12½-12⅝	12⅞	13¼
Two months	[illegible]	[illegible]	—	13⅝-13⅜	13⅝	13¼	12⅛	12¾	13 1/16-13⅛	13½
Three months	[illegible]	[illegible]	13⅜	13¾-13⅝	13⅞	13⅝-13⅞	12¾	12⅞	13 5/16-13⅜	13⅝
Six months	[illegible]	[illegible]	13⅝	13⅝-13¼	14	14⅛	—	—	13 7/16	13¾
Nine months	[illegible]	[illegible]	—	14-13⅝	14⅛	14⅛	—	—	—	—
One year	[illegible]	[illegible]	13⅞	14-13⅝	14⅛	14⅛	—	—	—	—
Two years	—	—	13 11/16	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three-years 14⅝ per cent; four-years 14⅞ per cent; five-years 14½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 5/16 per cent; four-months trade bills 13¾ per cent.

Approximate selling rate for one-month Treasury bills 12⅜-12⅝ per cent; two-months 12⅝ per cent; three-months 12½ per cent. Approximate selling rate for one-month bank bills 12⅝-12¾ per cent; two-months 12⅞-13 per cent; three-months 13⅛-13¼ per cent; one-month trade bills 13 per cent; two-months 13¾ per cent; and three-months 13½ per cent. Finance Houses Base Rate (published by the Finance Houses Association) 13 per cent from July 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 12.7355 per cent.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 15, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.50
Albania	Lek	5.3804
Algeria	Dinar	4.1875
Andorra	Fr. Franc	5.7655
	Sp. Peseta	97.17
Angola	Kwanza	27.527
Antigua	E. Caribbean $	2.7025
Argentina	Peso (C) (6)	4568.00
	Peso (F) (9)	6625.00
Australia	Dollar	0.8737
Austria	Schilling	17.1075
Azores	Port. Escudo	64.50
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	97.17
Bangladesh	Taka	15.1572
Barbados	Dollar	2.01
Belgium	Franc (O)	39.805
	Franc (F)	41.75
Belize	Dollar	2.00
Benin	C.F.A. Franc	288.275
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	8.91
Bolivia	Peso	24.75
Botswana	Pula	0.8782
Brazil	Cruzeiro	92.97
Brunei	Dollar	2.155
Bulgaria	Lev	0.94
Burma	Kyat	6.6445
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	288.275
Canada	Dollar	1.2058
Canary Is.	Sp. Peseta	97.17
Cape Verde	Escudo	56.51
Cayman Is.	Dollar	0.835
Cen. Af. Rep.	C.F.A. Franc	288.275
Chad	C.F.A. Franc	288.275
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.7642
Colombia	Peso (O)	54.35
Comoros	C.F.A. Franc	288.275
CongoP'ple.Rep.of	C.F.A. Franc	288.275
Costa Rica	Colon (O) (4)	8.60
Costa Rica	Colon	20.03
Cuba	Peso	0.7513
Cyprus	Pound*	2.2257
Czechoslovakia	Koruna (O)	5.80
Denmark	Krone	7.611
Djibouti Rp. of	Franc	178.15
Dominica	E. Caribbean $	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre	29.10
Egypt	Pound* (3)	1.4493
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	194.34
Ethiopia	Birr (O)	2.035
Faeroe Is.	Dan. Krone	7.611
Falkland Is.	Pound*	1.8772
Fiji	Dollar	0.8842
Finland	Markka	4.515
France	Franc	5.7655
Fr. C'ty in Af.	C.F.A. Franc	288.275
Fr. Guiana	Franc	5.7655
Fr. Pac. Is.	C.F.P. Franc	103.676
Gabon	C.F.A. Franc	288.275
Gambia	Dalasi	2.1308
Germany (E)	Ostmark (O)	2.4285
Germany (W)	Mark	2.4285
Ghana	Cedi	2.75
Gibraltar	Pound*	1.8772
Greece	Drachma	59.27
Greenland	Dan. Krone	7.611
Grenada	E. Caribbean $	2.7025

COUNTRY	CURRENCY	VALUE OF DOLLAR
Guadeloupe	Franc	5.7655
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	38.6618
Guinea Rep.	Syli	21.6904
Guyana	Dollar	3.058
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.6995
Hungary	Forint	33.44
Iceland	Krona	7.173
India	Rupee	8.91
Indonesia	Rupiah	629.00
Iran	Rial (O)	79.25
Iraq	Dinar	0.2999
Irish Rep	Punt*	1.5015
Israel	Shekel	11.68
Italy	Lira	1210.00
Ivory Coast	C.F.A. Franc	288.275
Jamaica	Dollar	1.7834
Japan	Yen	231.25
Jordan	Dinar	0.3355
Kampuchea	Riel	n.a.
Kenya	Shilling	8.9186
Kiribati	Aust. Dollar	0.8737
Korea (Nth)	Won	0.94
Korea (Sth)	Won	685.10
Kuwait	Dinar	0.2829
Lao P'ple D. Rep.	Kip	10.00
Lebanon	Pound	4.379
Lesotho	Loti	0.9157
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	2.0795
Luxembourg	Lux Franc	39.805
Macao	Pataca	5.925
Madagascar D. R.	Franc	288.275
Madeira	Port. Escudo	64.50
Malawi	Kwacha	0.9304
Malaysia	Ringgit	2.3425
Maldive Is.	Rupee	3.93
Mali Rp.	Franc	576.55
Malta	Pound*	2.4765
Martinique	Franc	5.7655
Mauritania	Ouguiya	57.655
Mauritius	Rupee	8.7868
Mexico	Peso	24.54
Miquelon	Fr. Franc	5.7655
Monaco	Fr. Franc	5.7655
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	4.5541
Mozambique	Metica	29.2457
Namibia	S.A. Rand	0.9157
Nauru Is.	Aust. Dollar	0.8737
Nepal	Rupee	12.00
Netherlands	Guilder	2.703
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.1919
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	2.88275
Nigeria	Naira (O)	0.6752
Norway	Krone	6.0815
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	9.85
Panama	Balboa	1.00
Papua N.G.	Kina	0.6862
Paraguay	Guarani	126.00
Peru	Sol	421.94
Philippines	Peso	7.945

COUNTRY	CURRENCY	VALUE OF DOLLAR
Pitcairn Is.	N.Z. Dollar	1.1919
Poland	Zloty (O)	31.00
Portugal	Escudo	64.50
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	5.7655
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	1.8772
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	5.7655
St. Vincent	E. Caribbean $	2.7025
Samoa (Western)	Tala	1.0582
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1210.00
Sao Tome & Principe DR	Dobra	39.7601
Saudi Arabia	Riyal	3.4105
Senegal	C.F.A. Franc	288.275
Seychelles	Rupee	7.3103
Sierra Leone	Leone	1.2011
Singapore	Dollar	2.1555
Solomon Is.	Dollar	0.8921
Somali Rep.	Shilling	6.295
South Africa	Rand	0.9157
Spain	Peseta	97.17
Span. Ports in N. Africa	Sp. Peseta	97.17
Sri Lanka	Rupee	18.6181
Sudan Rep.	Pound* (2)	2.00
Sudan Rep.	Pound* (1)	1.25
Surinam	Guilder	1.785
Swaziland	Lilangeni	0.9157
Sweden	Krone	5.159
Switzerland	Franc	2.0795
Syria	Pound	3.9262
Taiwan	Dollar (O)	36.47
Tanzania	Shilling	8.3103
Thailand	Baht	20.72
Togo Rep.	C.F.A. Franc	288.275
Tonga Is.	Pa'anga	0.8737
Trinidad & Tobago	Dollar	2.4065
Tunisia	Dinar	0.6231
Turkey	Lira	113.78
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.8737
Uganda	Shilling (7)	78.00
Utd. A'b. Emir.	Dirham	3.672
Utd. Kingdom	Pound Sterling*	1.8772
Upper Volta	C.F.A. Franc	288.275
Uruguay	Peso	10.818
U.S.S.R.	Rouble	0.7772
Vanuatu	Vatu (5)	93.1798
Vanuatu	Aust. Dollar	0.8737
Vatican	It. Lira	1210.00
Venezuela	Bolivar	4.2955
Vietnam	Dong (O)	2.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.57
Yemen PDR	Dinar	0.3415
Yugoslavia	Dinar	35.9381
Zaire Rp.	Zaire (8)	5.5789
Zambia	Kwacha	0.90
Zimbabwe	Dollar	0.7092

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2) Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries. (4) Costa Rica—Two-tier rate effective 24/4/81.
(5) Vanuatu—100 vatu=6.1875 French francs since 1/1/81. Aust. dlr. being phased out over next two years.
(6) Argentina: June 22 Two Tier Policy Adopted: Commercial: Fixed by Central Bank for Imports and Exports.
(7) Uganda—Rate quoted by Bank of Uganda on June 9 following devaluation June 1, 1981.
(8) Zaire: Devalued on June 19 by 40 per cent. 1 Zaire=0.1575 SDR.
(9) Argentina: Financial allowed a clean float.

Firmer trend at midsession

STOCKS WERE mostly higher in light trading at midsession. Hopes that interest rates would decline were balanced by fears that today's money supply figures would be sharply higher.

The Dow Jones Industrial Average was 1.05 off at 953.10 on volume of 27.7m shares. The NYSE All Common Index added 10 cents at $75.50.

International Paper's $⅜ decline to $46⅞, after Wednesday's $4⅞ rise, accounted for part of the Dow's fall. Other indices were fractionally higher. Advances led declines 7 to 6.

Some of the stocks that had risen sharply over the previous few sessions on merger rumours lost ground. **Cities Services** dropped $1⅞ to $57. **Kerr McGee** $⅞ to $80¼, and **Conoco**, the subject of a bidding war, lost $1⅞ to $86⅜.

Diamond Shamrock topped the active list at $38⅜, up $1½, followed by **G. D. Searle** at $32½, up $½. Searle won approval to market Aspartame, an artificial sweetener.

The American Stock Exchange index was up 1.28 at 368.18 on volume of about 2m shares. Niagara Frontier Services dropped $7⅞ to $21⅞ after A and P broke off talks to acquire the company.

Canada

Toronto stock exchange prices were higher at noon on a volume of 3m shares, with the composite index up 4.7 to 2,376.4. *Advances led declines 213 to 188.*

Among the exchange's 14 other indices, only five posted declines. The advances were led by Golds, up 62.6 to 4,049.3, Paper and Forestry, up 52.5 to 2,478.2, and Real Estate and Construction, up 50.3 to 9,424.8.

Among industrial actives, **Canadian Pacific**, which announced the takeover of **Canadian International Paper** on *Wednesday, rose ¼ to C$49⅛*, and **Hiram Walker Resources** fell ¼ to *C$33½*.

In Montreal, Industrials, Utilities and Papers were all off slightly, but Banks advanced 1.23 at 376.95 at midday.

Closing North American prices were not available for this edition.

Paris

Prices firmed in moderate trading, hleped by the franc's *firm tone and the fall in the call* money rate from 18⅞ per cent to *18¼ per cent.*

Banks, Foods, Engineerings and Electricals were firmer.

In mixed Oils, Elf's lower first quarter group net profit came too late to have a significant effect and it was FFr 10 higher at FFr 650, while CFP was down FFr 1.5 at FFr 91.5 after saying it would resume *Mexican* oil shipments next month.

In the *Foreign sector*, Germans, Japanese and Gold Mines were firm, *while Americans and* Coppers were mixed and Oils *and Dutch were lower.*

Milan

After Wednesday's 10 per cent rally, prices closed mixed in moderate trading, reflecting the stabilisation of the market. The Bourse index firmed to 209.57 from 208.10.

Centrale, of the Banco Ambrosiano group, jumped *sharply, ending L848 up at* L6,198. Reports that a big stake in the holding company changed hands were not confirmed.

ANIC—up R90 at L970—and **Rinacente** *were also strong.*

Fiat was L31 down at L1,779; *Montedison* L0.75 at L169, and **Olivetti** L120 at L3,170.

Germany

After a firm start influenced by Wall Street strength, prices fell back to close mixed to higher in *quiet trade. The Commerzbank* Index ended the day marginally higher at 731.80 (730.90).

In Motors, **Daimler** finished DM 2 higher at DM 347.50, having touched an early high of DM 350, while **VW** ended unchanged at DM 158.50, having opened DM 2 up. **BMW** closed DM 2 down at *DM 194.*

In mixed Department stores, **Kaufhof** dropped DM 8.50 to DM 163.5 after paying out its 1980 dividend. **Neckermann** climbed DM 2 and **Karstadt** closed DM 1 higher at DM 236. **Horten** remained unchanged from Wednesday.

In Electricals, AEG *closed 90pf* down at DM 40.20, just off the day's opening record *low of* DM 40.10. Siemens closed 20pf down at *DM 247.*

In Banks, Commerzbank closed *50pf down at DM 138, Deutsche* was DM 1 up at DM 281, and *Dresdner* was DM 1.50 down at DM 153.

Public authority bonds tended easier, and the Bundesbank bought DM 3.5m of paper. Mark Eurobonds were barely steady.

Tokyo

After two days of decline, share prices rallied on bargain-hunting in big capitals and Blue Chips, especially Steels. Dealers were encouraged by the overnight recovery on Wall St.

In slow trading of 330m shares, the Nikkei Dow Index closed 32.43 higher at 7,887.38, after losing 69.91 points in the week.

Hitachi rose Y11 to Y748, *stimulating buying interest for* other Heavy Electric Machines, Steels and Shipbuildings. Precisions, Optical Fibres, Machine Tools and Industrial Robot Makers were also favoured.

Major gainers included **Mitsubishi Elec**, up Y7 at Y448, *Nippon* **Steel**, Y4 up Y212. **Mitsui Shipbuilding**, Y5 at Y202. **Canon** Y40 at Y1,680, **Fujikura Cable** Y18 at Y333, **Yasukawa Elec** Y15 at Y625, **Okuma Machinery** Y16 at Y825 and **Minolta** Y21 at Y916.

Singapore

The market closed slightly firmer after a steep overnight decline. The Straits Times Index put on 3.26 at 912.80.

Sentiment was given a boost by market speculation that Malaysian Finance Minister Tengku Razaleigh Hamzah would remain in the Cabinet under the country's new *Prime Minister*, Datuk Seri Mahathir Mohamed, who took office yesterday.

Hong Kong

Shares closed mixed to higher in dull trading. Late buying nudged the Hang Seng index up 0.93 to a record 1,781.62.

Hutchison Whampoa was the focus of activity again. The *diversified trading company* added 60 cents at HK$24.20. *Cheung Kong, rumoured to be* about to bid for the Hutchison *shares it does not own*, put on 25 cents at HK$32.75.

Swire Pacific "A" rose 30 cents to HK$19.20 and **Hongkong Bank** *10 cents to HK$17.20.*

Johannesburg

Gold shares closed sharply in *reaction to the higher bullion* price and local buying interest.

Heavyweights gained up to R6 as in Hartles at R62, while lesser-priced issues generally rose 20-50 cents. Among Mining Financials, **Johnnies** gained R30 at R82 and **Anglos** 15c at R15.30 following the chairman's annual review. **De Beers** rose 5 cents at R8.92, while other Metals and Minerals were also generally higher.

Industrials were mostly firmer where changed.

Australia

Demand for Banks and scattered Oils injected a steadier note into trading but turnovers remained near the lowest levels of the year.

High interest rates and upcoming mergers helped Banks, *and the CBA rose 20 cents to* A$7.30 while BNSW firmed 5 cents to A$3.07 and the ANZ and CBC 4 cents each to A$5.30 and A$6.96 respectively.

Elsewhere, **BHP** rose 5 cents to A$14.40, **CSR** eased 4 cents to A$5.86, **WMC** rose 15 cents to A$4.95, **CRA** held at A$4.10 and **MIM** at A$3.85, *Pancontinental* rose 10 cents to A$6.10 and Woodside rose 5 cents to A$1.70.

The All Ordinaries Index rose 1.3 points to 664.8 while the Oil index gained 6.5 points to 833.9. The Metals index added 4.3 points to *537.7* and the Industrials 1.1 to 729.

Pioneer Sugar fell 8 cents to A$2.20, and UPL Group dropped 5 cents to A$1.65 on the diminishing likelihood that heavy trading earlier in the week would lead to takeover bids.

NEW YORK

CANADA

Stock	July 15	July 14
AMCA Intl.	24¼	24½
Abitibi	25½	25½
Agnico Eagle	11⅛	11
Alcan Alumin.	34⅛	34
Algoma Steel	42½	42
Asbestos	40¾	41½
Bk Montreal	28⅞	28⅞
Bk Nova Scotia	27½	27¾

BELGIUM (continued)

July 16	Price Frs.	+ or −
Petrofina	5,870	+40
Royale Belge	3,900	......
Soc Gen Banq.	1,655	......
Soc Gen Belge	932	−8
Sofina	3,415	−15
Solvay	2,025	......
Traction Elect.	1,830	......
UCB	1,150	−2

HOLLAND

July 16	Price Fls.	+ or −
ACF Holding	63.5	−0.7
Ahold	70	......
AKZO	24.5	−0.1
ABN	301.8	−1.5
AMEV	86.9	−0.2
AMRO	52.2	+0.1
Bredero Cert	185.5	−0.5
Bos Kalis	77	−0.5

AUSTRALIA

July 16	Price Aust. $	+ or −
ANZ Group	5.30	+0.04
Acrow Aust	1.35	......
Allstate Expl	0.75	......
Ampol Pet	1.50	−0.02
Assoc. Pulp Pap.	2.32	......
Audimco	0.22	......
Aust. Cons. Ind.	1.90	......
Aust. Guarant.	2.05	−0.03
Aust. Nat. Inds	3.15	......

JAPAN (continued)

July 16	Price Yen	+ or −
Kubota	355	......
Kumgaai	337	+2
Kyoto Ceramic	4,140	+60
Lion	405	+7
Maeda Cons.	521	+1
Makita	900	−15
Marubeni	360	......
Marudai	714	−1
Marui	951	......

DENMARK

FRANCE

GERMANY

ITALY

NORWAY

SWEDEN

SWITZERLAND

AUSTRIA

BELGIUM/LUXEMBOURG

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

BRAZIL

Financial Rand US$0.72 (Discount of 25%)

Indices

NEW YORK —DOW JONES

	July 8	July 1	June 24	Year ago (approx.
Ind. div. yield %	4.90	4.83	4.74	4.97
Ind. P/E Ratio	9.16	9.27	8.98	7.90
Long Gov. Bond yield	13.10	13.27	12.92	10.11

N.Y.S.E. ALL COMMON

July 15	July 14	July 13	July 10	1981 High	1981 Low
75.60	75.26	75.28	75.15	79.14 (6/1)	72.45 (26/2)

Rises and Falls	July 15	July 14	July 13
Issues Traded	1,890	1,886	1,865
Rises	897	513	758
Falls	598	964	704
Unchanged	395	409	403
New Highs	18	9	13
New Lows	18	38	21

MONTREAL

	July 15	July 14	July 13	July 10	1981 High	1981 Low
Industrials	389.85	387.03	384.92	386.32	409.66 (27/5)	356.26 (20/2)
Combined	378.62	367.57	366.21	365.06	375.16 (27/5)	339.54 (20/2)
TORONTO Composite	2371.88	2848.2	2344.44	2356.8	2878.8 (10/4)	2151.4 (20/2)

						High	Low
HONG KONG Hang Seng Bank (31/7/64)		1781.62	1780.63	1779.37	1781.07	1781.62 (16/7)	1295.44 (11/5)
ITALY Banca Comm Ital (1972)		203.57	208.10	132.93	130.72	272.93 (5/6)	178.55 (6/1)
JAPAN Dow Average (16/5/49)		7887.38	7853.95	7872.26	7923.86	7925.34 (3/7)	6956.52 (13/3)
Tokyo New SE (4/1/68)		535.66	531.65	532.25	535.10	595.10 (13/7)	495.79 (6/1)
NORWAY Oslo SE (1/1/72)		122.50	122.87	122.52	122.24	127.37 (4/6)	110.54 (3/6)
SINGAPORE Straits Times (1966)		912.80	909.54	924.48	923.44	974.26 (26/6)	653.51 (2/1)
SOUTH AFRICA Gold (1958)		(u)	551.6	548.1	544.4	727.8 (7/1)	473.6 (3/7)
Industrial (1958)		(u)	603.3	605.1	602.4	655.5 (1/5)	567.2 (3/2)
SPAIN Madrid SE (30/12/80)		150.75	150.70	151.30	(c)	141.40 (17/6)	100.46 (2/1)
SWEDEN Jacobson & P. (1/1/58)		573.83	574.44	578.47	569.91	591.54 (2/7)	404.17 (20/1)
SWITZERLAND SwissBankCpn. (31/12/58)		286.3	284.4	285.2	285.50	304.2 (2/4)	273.8 (27/5)
WORLD Capital Intl. (1/1/70)		(u)	152.5	151.8	152.9	162.9 (6/1)	149.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Conoco	1,607,700	87⅞	+1⅞	Exxon	646,000	34	−⅛
Union Oil	947,400	39½	−1⅜	Cities Services	583,200	58¾	−2¼
C-Gen. Inv.	866,000	41¼	+4½	Can-Pacific	519,000	40⅝	+2¼
Gulf Oil	726,500	38½	+1	IBM	506,900	56⅞	—
Diam Sham	667,300	36⅛	+1⅛	Texaco	470,900	36	+⅛

Collins takeover battle comes to the boil

By Robert Cottrell

AN ASTONISHING series of telephone calls one May evening began the bid battle for Britain's largest independent commercial publisher, William Collins, which reaches its first closing date today.

It was at around seven o'clock on Tuesday, May 12, that other members of the Collins Board learned from Mr William Jan Collins, the sixth-generation chairman to bear the company name, that he and his family interests had sold 28 per cent of the firm's voting shares to News International, British arm of the Australian News Corporation headed by Mr Rupert Murdoch.

Mr Collins relinquished the chair the next day, after the company's annual meeting in Glasgow. And with the pass sold, his former deputy Mr Ian Chapman took command of the rearguard fight.

Mr Collins is confident that he acted in the best interests of the company — which he perceives as its integration into a larger and more diversified group. Collins's 1980 annual report showed turnover of £63.7m, and net worth of £26.4m. News International showed roughly twice those sales and three times that net worth in its June 1980 annual report, since which it has added Times Newspapers to a stable which already includes the Sun and the News of the World. The Australian parent has interests ranging from newspapers and television to pastoral and transport industries.

But Mr Chapman is equally confident that Collins has the money and the management which it needs to thrive. He is not against Mr Murdoch in particular, he says, but for independence and against a takeover by anybody, which he says would be disruptive and potentially damaging to a smoothly-running and highly-personalised business.

To the credit of the present Board stands its work in pulling Collins out of the red in 1979. A pre-tax profit of £4m is forecast in the current year. Collins had suffered not only domestic market stagnation, but also losses in its Glasgow book manufacturing division, and poor performance abroad.

The plunge in Collins's fortunes reflected, beyond its own particular problems, the worst post-war recession suffered by the British publishing industry. That recession may now just be bottoming out thanks to softer sterling and a tolerable Christmas.

But while an eye to Collins's recovery potential might have made it an attractive buy throughout last year, an aspiring bidder would have had to cope with a voting structure designed to help concentrate votes in friendly hands. Mr Murdoch's coup has been to turn the defenders' weapons back upon themselves.

Other purchases, including a large stake from Mr Robert Maxwell of Pergamon Press, have now given News just over 42 per cent of the votes. The two key stakes outstanding are the 16 per cent held by Crossburn, the family trust of Mr Jan Collins's late uncle, Mr Ian Collins, and 8.25 per cent held by Witan, a quoted investment trust.

The current News offer—225p for voting shares, 163p for non-voting—values Collins at £25m. In asset terms, that looks cheap. Apart from shareholders' funds, £3m in non-recoverable government grants, and unutilised tax allowances of £6.5m, there are also the intangibles whose abstract nature does not detract from their commercial importance.

Collins's stable of authors includes Mr (Ralph) Hammond Innes, Mr Desmond Bagley, and Mr Alistair MacLean—the last of whom caught Mr Chapman's eye when he won a short-story contest in a Glasgow newspaper. The sort of best-sellers which these authors produce—say 50,000 hardback, up to 1m paperback—might make £150,000 for the author and £50,000 for the publisher on book rights alone.

Copyright subsists 50 years after an author's death, if the book is kept in print. The value of a backlist depends on the view taken of its sales potential. Mr Chapman, while unwilling to put any too firm a price on the Collins backlist, does not quarrel with an estimate of £10m to £12m.

The group also includes names like Fontana and Hatchards, and what amounts to a franchise on the Bible in Scotland. The Authorised Version is Crown Patent, licensed to Collins in Scotland by an august panel which includes the Moderator of the General Assembly of the Church of Scotland.

News takes a dim view of the value of Collins's printing assets, and argues that a depressed market dampens the earnings potential of the backlist. But its argument leads on questions of earnings and share price. It points out that the bid is double the level reached by Collins shares last December; and argues that the 225p offer gives a generous fully-taxed earnings multiple of 25.4 historic, 13 prospective. Though Collins will pay no mainstream corporation tax, advance corporation tax on its 7.5p promised dividend will cost £1.3m.

News promises not to change the character or image of Collins, while offering the prospect of strengthening its international operations. News Corporation recently spent an estimated A$4m (about £2.44m) on Australian publisher Angus and Robertson, a country in which Collins also has a large interest.

Small shareholders have so far stayed away from News in droves. Unless the tide turns rapidly, News is faced with three essential choices to stay in the running: remain a substantial minority shareholder, which it said at the outset of its bid would be acceptable; carry the shares for at least a year to have another go; or hold out a significantly larger carrot to be sure of swaying at least one large stake. Though News might like the votes, the Takeover Panel has imposed a principle of "comparability" for the voting and non-voting offers, meaning that any higher offer would also force News to pay for what is in effect dead wood.

While 225p seems not enough to tempt the market, Mr Jan Collins sold his stake at 200p. The background to that move can be seen in two time-scales.

Of more immediate interest is the few days before the share sale, when lawyer and academic Lord Goodman played a key role. Lord Goodman is a consultant to Guinness Mahon, News's bank for this deal. He also has connections with the Collins family dating back to his acting for a firm whose chairman's son married a cousin of Mr Jan Collins.

Collins has often worked on book serialisation with the Sunday Times and Times newspapers. Mr Collins had by May taken the view that the firm needed "a responsible purchaser who could bring vigour and new interests," and the News takeover of Times Newspapers convinced him that Murdoch fitted the bill. With Lord Goodman as intermediary, the draft deal was struck. Mr Murdoch wanted at least a quarter of the votes at 200p; the family required in return a general offer to shareholders.

"It was the feeling of the family interests that it was necessary to commit to an outright sale at that price and at that time, because there was no question of Mr Murdoch's agreeing to an auction situation," says Mr Collins.

"There was no great punch-up," says Mr Chapman on the morning after the news, "but there were very, very deeply-held feelings in every single Board member." While Mr Chapman is confident that advance warning could have placed the shares in hands more acceptable to him, Mr Collins insists that there was "no offer, no basis for an offer, for the shares of the family interests until the Tuesday."

Looking back rather further, Mr Jan Collins succeeded his father as chairman in 1976, when the group showed pre-tax profits for the year of £5.2m. Three years later came a pre-tax loss of £255,000. In August 1979 Mr Collins ceased to hold executive responsibility. Drastic stop-loss action followed.

Neither Mr Collins nor Mr Chapman is willing to discuss whether the policy lines then adopted might have estranged Mr Collins. But to shade the picture in a little, the key change in 1979 was the view taken of the Glasgow end of the business, the printing and book manufacturing division. It moved from working at cost within the group to an arms-length pricing relationship as an independent profit centre—to "stand on its own two feet," in Mr Chapman's words.

Glasgow saw 400 redundancies in December 1979. It now operates with around 1,000 staff producing 60m books annually—below capacity, but roughly break-even.

To make a stab into the relative dark of internal Collins Board matters, the indications are towards a conflict between two long-term views of the group: as a publishing house within a larger more diverse corporation; or as an independent company with a manufacturing division capable of paying its way, the present chairman's view.

One figure in the affair has been so far left aside for reasons of simplicity rather than importance—Mr Robert Maxwell, who had over several months accumulated the 9.4 per cent stake which he sold to News three weeks ago. When Mr Murdoch's bid came, Mr Maxwell kept the market guessing by continuing to buy shares, and a counter-bid was rumoured despite the demands made upon Mr Maxwell by his ambitious takeover of BPC.

That bid speculation was, says Mr Maxwell, correct. On the basis that he was "part of the problem or part of the solution," he sounded out the ground for a 220p bid to top the 200p then offered by News. Deciding that the Collins Board would be no more prepared to entertain his own potential offer than it was Mr Murdoch's, he dropped out of the running while forcing News to raise its offer by 12½ per cent.

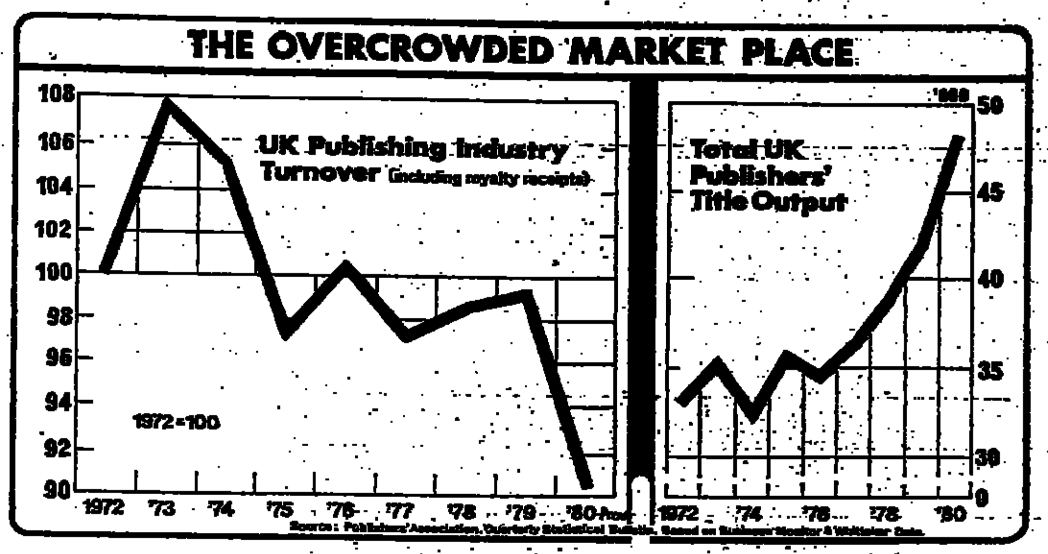
The Takeover Panel has since concluded that the share sale was unrelated to other business deals discussed by the two old commercial adversaries at the same time.

News has certainly had its work cut out persuading shareholders to part with voting equity at the current offer price. The track record and profits forecast of the Collins Board should help shore up the share price if the bid does lapse, while the advantages of a takeover — except to those shareholders satisfied with the cash —have appeared far from overwhelming.

If Mr Murdoch does succeed, he may have to tread very carefully to avoid upsetting the authors who have so far rallied round the Board's stand. But the bid battle has been a relatively amiable one so far, and it has not soured the long-standing friendship between Mr Chapman and Mr Murdoch. So that while many Collins shareholders will undoubtedly remain loyal to their Board, those who do want the money may well feel that, given News's assurances, there are worse people for the company to have behind it than Mr Murdoch.

Hugh Routledge

Mr Ian Chapman: in command of the rearguard fight



Brace Radovic

THE PROPERTY MARKET BY MICHAEL CASSELL

Cheeky Churchbury bid

AFTER ENDLESS bid speculation which managed to marry off Law Land with just about every major property group in the UK, the eventual suitor (spurned) turns out to be none *other than little Churchbury* Estates.

That Law Land's days of independence were numbered had become more or less accepted in the property world, though the company itself says it intends to fight to the end to stay free. But how many people imagined it would be Oliver Marriott, Alastair McDonald and Derek Lucie-Smith riding up to complete the gallant act which has so long been awaited?

The three gentlemen make up the board of Churchbury, which *claims* a management team of just four and which has undergone something of a remarkable *evolution since* Mr Marriott arrived on the scene in the summer of 1979. They are not yet, of course, home and dry, though White Knights with a predeliction for uphill battles are few and far between these days.

With a market capitalisation barely one quarter of that of Law Land and a property investment portfolio of around £7m (Law Land's was recently estimated by the directors at about £80m) Churchbury is taking a big step. It appears, however, to have no shortage of supporters and with about 40 per cent of the ordinary shares in the bag it seems that three or four other institutional holders in Law Land, who hold close to another all-important 10 per cent, have already given general support to the move and will fall in if no better offer comes along.

It will no doubt bring a chuckle to the lips of Oliver *Marriott* to remember that 21 years ago as property editor of the Investors Chronicle, he *inquired when Law Land* was going to be shaken up.

If Churchbury gets its way, shaking up there will most certainly be and what lies ahead can be fairly accurately predicted by looking back at what has been done at the investment company which is fast making a name for itself as a well-managed, shrewd investment operation.

On his arrival, Marriott found Churchbury—which itself had *been a bid candidate on more* than one occasion—holding a portfolio of 156 assorted *properties, accumulated on* the back of a housebuilding business and involving a very mixed *bag of variable quality.*

Two years later, the portfolio is down to just 14 properties, *which over the next four years* should offer considerable increases in income via new lettings and reversionary rents. Two recent deals, involving several shop purchases in north London and a stake in Owen Owen, the department store group, have pushed up the company's net asset value by 99p a share. In short, the company is in good shape and has a management with positive ideas about the *future.* In the year ended March 1981, the company recorded pre-tax profits of *£555,429* against *Law Land's* £280,912 in 1980.

Just the same sort of approach can be *expected if* Churchbury gets Law Land and, as promised, puts in a new man to run the acquisition. The offer document does not pull any punches and gives notice of a major sales programme designed to weed out the portfolio — nationally spread but with the greatest emphasis on London offices. Churchbury has no office investments and believes they represent the best *potential.*

A "reappraisal of staffing levels" is also promised if they *win and although some painful* cuts in this direction can be expected, Churchbury accepts that because many Law Land properties are not—unlike its own—on fully repairing and insuring leases, some continuing management role will be required.

The company has also pledged to take a long, hard look at Law Land's property interests in Belgium and Australia, where losses have been the order of the day since 1976. Marriott believes in concentrating on London property—though there will no doubt be exceptions—but he is less than enamoured with the attractions of overseas property investment and it might be fair to assume that Law Land's foreign problems would not *figure in his plans.*

As for Law Land, the directors have wasted no time in dismissing the offer as quite unacceptable, re-emphasising the prospect of rising profits this year as well as an improvement in dividends. Shareholders may well feel that they *have waited long enough* and that the best chances of improving a disappointing *performance lie with different* investment and management policies.

Institutions talking on rented building plan

MOVES are afoot to provide the institutions with positive incentives to do the unthinkable—*invest in private rented housing.*

It is early days but talks between the British Property *Federation and the government* are progressing with a view to implementing some form of *residential building allowance* which would encourage the institutions to take the plunge into what until now has been a strictly "no go" area.

Within Europe, few places remain where the investing institutions do not involve themselves with residential property although the lack of interest in the UK is hardly surprising, given the political storm which usually surrounds the subject of private rented housing.

But since last year's Housing Act, the principal of building for private renting beyond the Rent Acts has been established and the funds have finally begun to take an interest. The plan to provide some financial incentive along the lines of industrial building allowances (for tax-exempt pension funds it would have to be a grant) is being warmly supported and at least partially nurtured by Mr Michael Heseltine at the Department of the Environment. Now Sir Geoffrey Howe, the Chancellor, is also involved.

Sir Geoffrey is also thought to be interested and the concept of an "RBA" has been raised in general Treasury discussions *on the range of capital* allowances available. A Green Paper on Corporation Tax is now *being prepared and is due for* publication sometime this winter. A proposal for some form of residential grant may then be included.

It will take a great deal more talking before the institutions, who would be looking for something like a 6 per cent return on any residential investment, would be prepared to enter the market. There is also the problem of management and, by far and away the biggest pitfall, the refusal of the Labour Party *to agree on anything which* stimulates private renting and the ever-present threat of *legislation to undermine the* entire market.

Softly, softly in the States

IN THE WEEK when the Coal Board pension funds admitted defeat in their bid to acquire *Connecticut General Mortgage* and Realty Investment Trust, come warnings that the U.S. property market is looking less rosy.

Concern is being expressed in some quarters about the pace of new development in certain U.S. cities and there are *fears* that this could lead to a substantial over-supply of office accommodation in some areas.

At the same time, there appears *to be signs of tenant* resistance to some of the higher office rentals — particularly in New York — achieved over the past year. Meanwhile, the *growing emergence of U.S. institutions* as significant investors in real estate is likely to push commercial property yields lower.

All this points to the need for extra caution on behalf of European investors who are tempted by the dramatic rise in property values achieved in a number of U.S. cities over the *past 18 months.*

Mr Hugh Jenkins, director general for investments for the coal board funds (never one to throw money at a property investment lightly) this week decided that the price being asked for Congen was too high and withdrew from the bidding in the face of a higher offer from Prudential Insurance of the U.S.

Mr Jenkins says that there are still good opportunities for *real estate investment* in the U.S. but competition is getting tougher and British funds must be *very cautious and selective* about their investments.

The coal board funds, despite *their undisguised* preference for the higher rates of return obtainable on North *American* real estate, have made only two U.S. property investments in the past 12 months.

Chris Budden, partner responsible for the North *American operations* of Richard Ellis, says that good opportunities still exist but that *gains seen* over the last year are unlikely to be repeated in the near future and some markets could come under pressure.

Mr Budden adds: "Some evidence of over-building is beginning to occur in selected cities and if the economy does not experience a recovery soon, some softness will develop in office rents."

Nevertheless, Ellis estimate that average prime office yields in the U.S. on an all-cash basis are still averaging between 6.5 per cent and 8 per cent at current rents. In a market as vast as the U.S. these figures no doubt mask a wide variety of yield levels but still indicate the better rates of return which can be achieved, compared with *prime office investments in the* UK and other European centres. Against this, however, the higher cost of *borrowing* in the U.S. and exchange rate differentials should be taken into consideration.

Areas which could suffer from oversupply of offices, according to Chris Budden, include parts of Orange County and Mid-Wilshire around Los Angeles and the Wacker Drive district of Chicago. He also reports that there have been some signs of tenant resistance to the high level of rents in midtown Manhattan, which have doubled to around $60 to $65 a square foot in 12 months.

British investors looking for U.S. real estate should concentrate in areas where there are tight planning restrictions, shortages of good prime sites and where there are prospects for exceptional economic growth. Cities which could fall into this category include Denver, San Francisco or *Washington DC*—where there is strong continuing demand for space from the Federal authorities—says Budden.

Andrew Taylor

IN BRIEF

RONALD SCHUCK'S Espley Tyas *Property* Group is to undertake a 330,000 sq ft industrial and warehouse development in association with Hayward Industrial Developments (Cranmore) Ltd. The scheme which is expected to have a value of £12m, when completed, is being undertaken on a 17 acre site fronting onto Stratford Road, Solihull.

● Irish Life Assurance Company of Dublin has paid $9m for a shopping mall and office investment in Montgomery Village in suburban Washington DC. The acquisition includes a *120,000* sq ft enclosed shopping mall and 50,000 sq ft of offices. Jones Lang Wootton acted for Irish Life.

● Chesterfield Properties has disposed of its last remaining property investment in France —25 per cent shareholdings *in associated companies* owning the Tour Albert at Reuil Malmaison, west of Paris (155,000 sq ft of offices and *22,000 sq ft of shops*) and Ilot des Mariniers near the Porte de Vanves, Paris (215,000 sq ft of offices). Net proceeds of the sale before UK tax amount to around £3.5m, compared with the company's estimate in its 1979 accounts that the investments might be worth £2.5m.

● Speyhawk Land and Estates has acquired a 35,500 sq *ft* office block in mid-town Manhattan for $3.65m. Speyhawk says that the low purchase price reflects the fact that the block was built at the turn of the century and is only let at "modest rents." However leases granted to existing tenants only have two years to *run after which* Speyhawk intends to refurbish the building prior to reletting. Speyhawk *also intends* to arrange a *forward* sale of the completed development to a UK Pension fund. Jones Lang Wootton acted for Speyhawk.

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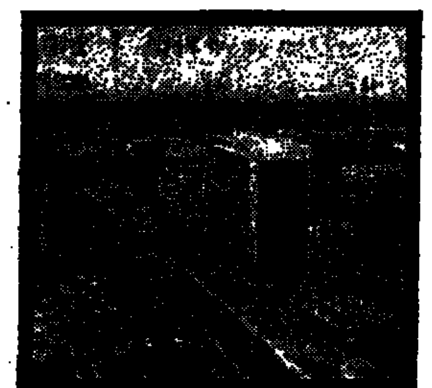

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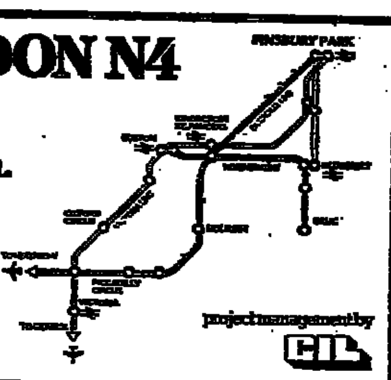

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N. Zealand may buy U.S. butter

By Nancy Dunne in Washington

THE U.S. Department of Agriculture, which planned to sell 200m pounds of butter on the world market, is now considering selling the government-owned stock to New Zealand, the world's largest butter exporting nation.

New Zealand and other foreign exporters objected to the original scheme, which would have depressed prices, and if it buys the butter, New Zealand plans to market it in a way which will not upset the market.

The plan to sell the stock through competitive bidding also ran afoul of the U.S. State Department because most of the butter would presumably have gone to East Europe or the Soviet Union. The State Department, which lost out when President Reagan decided to end the partial grain embargo against the Russians, complained vehemently against "buttering American bread with subsidised American butter."

Discussions between the Reagan Administration and the New Zealand Dairy Board are underway, although no decision is expected soon. An administration official said the New Zealanders will consult the Soviet Union about the deal before concluding an agreement. Should New Zealand buy the U.S. butter, it would be required to sell none of it directly to the Soviet Union. The Russians need butter but "they have been coy" about purchases since the end of the grains embargo, the official said.

Short-term coffee shortage forecast

HAMBURG — West German coffee trading house, Bernhard Rothfos, said a cautious analysis of basic coffee statistics showed a short term shortage of coffee which was likely to result in higher prices.

It said in its latest report that supply and demand should be balanced in the medium term.

The International Coffee Organisation's reduction of its export quota for the July/September quarter will make the demand/supply position extremely tight in spite of small demand during the summer months, it added. Reuter

Sugar surplus 'nearly sold out'

BY OUR COMMODITIES STAFF

ALMOST ALL the Common Market sugar available for export during the 1980-81 season has been sold, according to EEC Commission estimates, British sugar merchant E. and W. Berisford said yesterday.

The estimates show only 140,000 tonnes remain to be sold, Berisford said, a figure which contrasted sharply with the 500,000 tonnes the French intervention agency (Firs) estimated was still available.

Berisford admitted the Commission might have slightly underestimated the amount still in stock but it said the French estimate was very obviously at the top end of the range.

At the start of the season the Commission put export availability at 3.1m tonnes compared with 3.39m estimated by Firs. In their latest estimates both had taken account of export certificates cancelled or not taken up during the season but differed on the level of raw sugar imports from African, Caribbean and Pacific countries and export estimates for Germany and Italy.

Both assumed the 50,000 tonnes of sugar made available to Poland would not be taken up during the current campaign. Export tenders for the 1981-82 sugar season are due to start on July 29 with licences effective from September 16. Licences issued during the current campaign remain effective until September 30.

The U.S. Food and Drug Administration plans to approve the use of aspartame, a compound which will become the only artificial sweetener approved in the U.S. other than saccharine, reports Reuter from Washington.

The FDA said aspartame used in tablet form, and in cold cereals, drink mixes, instant coffee and tea, gelatins, puddings and dairy products will be approved 90 days after posting in the Federal Register, expected in the next 10 days.

Approval was not sought for use in carbonated beverages, it added.

G. D. Searle, the manufacturer of aspartame first requested approval in 1973, and the FDA initially approved its use in 1974, the agency said.

Approval was legally postponed, however, when studies showed high dosages could be a health hazard.

FDA then proposed restricting its use in 1977, when a study showed it to be a weak cancer causing agent in animal studies. The FDA statement yesterday said FDA studies and extensive reviews of other studies now show aspartame is safe at normal use levels and "at the highest conceivable level."

U.S. demand for cocoa boosted

By Our Commodities Staff

U.S. DEMAND for cocoa beans rose sharply in the second quarter of this year, according figures published by the Chocolate Manufacturers' Association yesterday.

But the 46.1 per cent increase, compared with the same period last year, had been largely discounted and was initially shrugged off on the London futures market.

Prices actually slipped back a little after the announcement only to strengthen later as dealers reconsidered its significance. The September delivery position, which had traded down to £1,081 a tonne at one point, rose to £1,110 before ending the day £2 down on balance at £1,087.5 a tonne.

Expectations of a bigger U.S. cocoa grindings figure had been a factor in the market's recent strength and dealers explained that the immediate reaction from speculators after theannouncement was to take their profits.

At least one London trade house believes there are further gains to come, however. Cocoa can be expected to gain further ground in the near term, mainly because of the likelihood that the new International Cocoa Agreement, will come into force, Boustead Commodities said in its latest report.

There will be an agreement even if the Ivory Coast still refuses to participate, and the pact will give the buffer stock manager power to intervene at or below the minimum intervention price level of 110 cents a pound, Boustead argued.

FARMER'S VIEWPOINT

Gloom at Royal Show

THE ROYAL SHOW is an opportunity second to none to sound the state of farming. Nowhere else can one meet such a cross-section of the industry, farmers and suppliers.

The suppliers, particularly tractor manufacturers, have been having a very rough time getting rid of their stocks. Although they expressed a sort of qualified optimism about sales of specialised equipment, there was no evidence at all of the sort of rush to buy that characterised the first few years of EEC membership.

Then, under the influence of some of the most unprincipled propaganda ever perpetrated, farmers were urged to invest in order to take advantage of the opportunities of competing with the allegedly inefficient European farmers. In fact, particularly in arable farming, we had at least as much to learn from them as they had from us.

The techniques of high-input cereal growing originated with Professor Lalou in Belgium, and in Schleswig Holstein. The reason they took on in Europe first was because prices were higher than in the UK, giving farmers confidence to use them. We all use them now to a degree, but among cereal growers I talked to at Stoneleigh I found a growing scepticism about the future of their side of the industry.

One of the main developments of the new techniques has been the spread of autumn sowing. Autumn-sown barley in particular yields better than spring. But it is vulnerable to disease for a longer period, can also absorb a great deal more in the way of chemicals and fertiliser to get yields above spring barley and may show no more profit, once the costs of the extra inputs are taken into account.

There is a very short time between harvest and sowing—a matter of four to six weeks. This puts an almost intolerable burden on management and staff if the bulk of the acreage is autumn sown. It does not allow for proper weed control, and certain weed grasses are showing signs of getting the upper hand. Also a long run of autumn sown crops run a risk of disease building up if the variety is solely wheat or barley, or contamination if the crops are varied.

Many growers are now looking for systems which include break crops, but the difficulty is that few of the alternatives are as reliable as cereals financially. The most obvious cash break crops—potatoes and sugar beet—are limited to farmers in traditional growing districts.

Cereal growers are also very worried about cashing this year's crop. The market is supported by intervention buying at quite a reasonable price, as long as the grain is of the right purity, moisture, content, and bushel weight. But farmers know that the Commission is very worried about clearing the end of last year's wheat stocks in France, and has started export restitutions early this year.

I don't believe that the EEC support for grain is going to collapse this year, even if there is a massive crop among the Ten. But its disposal could well cost a lot of money and take a long time because of the physical problems of moving the grain out of the country. Last year a total of 3½m tonnes of barely and wheat were exported from the UK. Even if the harvest is no greater than last years 19.2m tonnes, home sales could be less.

It is generally believed that UK compounders are beginning to follow the example of those in Europe by reducing the cereal content of their rations. In the Netherlands for instance, cattle compounds contain no more than 20 per cent of cereals, as against about 50 per cent in the UK. The difference is made up with what are called cereal substitutes, such as manioc, gluten, maize gluten, citrus residues and many other things. Every tonne substituted could mean a tonne of cereal for export.

In these circumstances, and bearing in mind the current weakness of world grain markets, the Commission, say the pessimists, will be looking for ways to save money and the likely outcome will be a corresponsibility levy at the next Price Review. Certainly, no price increase. All this is hypothetical at present. But this is what farmers are thinking. It's not a mood that leads to investment.

I also found worried men among some of those who had disposed of their cows with the EEC's golden handshake for giving up milk production. They have now found, after the first euphoria of escaping the tie of milking, that instead of a monthly cheque they have to wait a long time for their money from cereals. How lucky you are, they said to me, to have stock; sheep and pigs, to bridge the hungry gap between seed time and harvest, forgetting that they used to call me a bloody fool for staying with them all my life.

One very happy note at the Royal was a posthumous tribute to a very old friend, Robert Wales, who died a couple of years ago at the age of 94, having devoted much of his life to maintaining the English Longhorn breed of cattle, of which only a handful remain. The Burke Trophy, for the best pair of beef cattle was awarded to his breed, against the competition of all the fashionable British and Continental strains. And the Judge was a Scot. What a wonderful tribute to a well spent life.

John Cherrington

Stronger gold spurs metals

BY ROY HODSON

COPPER, LEAD and zinc, all moved higher in London Metal Exchange trading yesterday and copper wirebars for three-month trading high at £932.25 a tonne, a rise of £8 on the day.

The strong U.S. dollar and a stronger gold market helped improve base metals prices while the international tin talks continuing in London prompted at least one big buyer in the expectation of higher buffer stock prices.

Cash copper closed £7.50 up at £906.75 a tonne. Cash zinc closed £3.5 up at £468.50 a tinne. Tin put on £105 for cash to £6,975 a tonne, and lead finished at £425 a tonne, an improvement of £7.25 on the day's trading.

Asarco of the U.S. raised its price of electrolytic copper on the domestic market yesterday by one cent to 84 cent a pound.

Threats of disruptions to production in Zambia receded. The mineworkers' union has asked its members not to resort to industrial action during Lusaka talks on pay rises due to be implemented from August 1.

The workers had threatened to resign from the union and to start a work slowdown from this week.

Separate sessions held by the tin producers and the consumers in London yesterday failed to resolve the threat to a new agreement being reached by the end of the current International Tin Council talks.

Leading consumers are opposing a proposed 5 per cent increase in the ITC buffer stock support prices. The EEC, which is represented at the talks by a single delegate, has supported a ris of not more than 5 per cent.

Burma launches forest survey

By Our Own Correspondent

BURMA has launched a 4½-year project to survey and take inventory of its forest resources with United Nations Development Programme assistance. UNDP will contribute $3.7m, the balance coming from the Burmese government.

Burma has 149,500 sq miles of natural forests rich in teak and hardwoods. The new project is aimed at better utilisation and development of these forests for country's economic growth.

Decline in meat supplies expected

BY RICHARD MOONEY

UK MEAT supplies will show a substantial decline this year and may slip further in 1982, according to a report by the Meat and Livestock Commission.

In its latest UK Market Review the commission says steer and heifer slaughterings in 1981 are projected at 2.88m head, 150,000 less than in 1980 and the lowest figure since 1973. With cow and bull slaughterings also expected to fall sharply beef and veal production is expected to total only 1.02m tonnes, 7 per cent less than last year.

After allowing for net imports, beef and veal supplies as a whole are forecast at 1.14m tonnes, down 5 per cent.

Mutton and lamb production in the UK is forecast at 263,000 tonnes, 5 per cent less than in 1980, while total supplies are put at 431,000 tonnes, down 9 per cent. This would be the lowest level for at least 15 years, the commission says.

Pork production is projected to rise by 2 per cent to 694,000 tonnes. But Danish bacon shipments, which were held up by a slaughterhouse strike earlier this year, are not expected to rise above the 1980 level.

In Washington the U.S. Agriculture Department (USDA) estimated total meat production this year in 50 of the largest producing countries at nearly 110.2m tonnes, up from 100.0m tonnes in 1980, reports Reuter.

In a foreign agriculture circular on world meat production, the USDA said world beef and veal production this year is expected to be little changed from last year. Production declines in the EEC, Australia and Poland are expected to be offset by gains in the U.S., Brazil and several other countries.

Beef and veal imports by the 50 major countries are forecast to increase 3 per cent to 2,337,000 tonnes, the department said.

Total meat production in the main importing areas—the U.S., Canada, EEC and Japan—is forecast at 51,059,000 tonnes (carcass weight equivalent) down slightly from 51,173,000 tonnes estimated for 1980.

A 5 per cent increase in poultry meat production, and a 1 per cent increase in beef and veal output in the importing areas will be offset by a 4 per cent decline in pork production and a 1 per cent fall in mutton and lamb output, the USDA said.

Australian wool forecast raised

SYDNEY — The Australian Wool Production Forecasting Committee said it raised its estimate of 1981-82 Australian wool output to 701.2m kilos greasy from its May forecast of 675m.

This comprises 637.1m kilos shorn wool, against a previous 608m forecast, and 64.1m kilos dead and fell mongered wool exported on skins against 67m.

Reviewing the 1980-81 season just finished, the committee estimated output to 701.2m kilos greasy against a May estimate of 686.4m, comprising 635m (619.7m) shorn wool and 66m (66.7m) dead and fell mongered wool.

Reuter

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES gained further ground on the London Metal Exchange. Copper touched £933 on persistent physical demand and speculative interest before easing to £928.5, while hopes of increases in the ITC levels prompted heavy buying of Tin from one quarter and lifted three months to £7,115 prior to a close of £7,085. Lead advanced to £428.5 and closed at £424 while Zinc was finally £477 after £478. Aluminium and Nickel closed at £638.5 and £3,315 respectively.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	907-.5	+11	905-.7	+7.5
3 months	933-.5	+11	932-.5	+8
Settlem't	908	+13	......	......
Cathodes				
Cash	902-3	+11	901-2	+7.75
3 months	923.5	+11.7	922.5-3	+7.5
Settlem't	903	+11	......	......
U.S. Prod.	......	......	*80-5	......

Amalgamated Metal Trading reported that in the morning three months standard traded at £928, 28.5, 30, 31, 31.5, 32, 33, 32.5, 33, three months £932.5, 33, 32.5, 32, 31.5, 31. Afternoon: Wirebars, three months £933, 32.5, 32, 32.5, 33, 32.5, 32. Cathodes, three months £923. Kerb: Wirebars, three months £930.5, 30, 29.5, 29, 28, 27.5, 28. Turnover: 29,675 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	423.5-4	+4	425.5-6	+7.25
3 months	423-.5	+3.5	425.5-6	+7.25
Settlem't	424	+4	......	......
U.S. Prod.	......	......	*41	......

Lead—Morning: Cash £424.5, 23.5, three months £425, 26, 26.5, 26, 25.5, 25, 24.5, 24, 23.5, 23, 23.5. Kerb: Three months £423, 23.5, 24, 23.5, 23, 24, 25, 26. Afternoon: Three months £427, 28, 29, 28.5, 28, 27, 26.5, 26, 25.5. Kerb: Three months £426.5, 25, 25.5, 25, 24. Turnover: 15,425 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
High Grade				
Cash	6910-30	+42.5	6970-80	+105
3 months	7045-50	+48	7101-2	+109
Settlem't	6930	+45	......	......
Standard				
Cash	6910-30	+42.5	6970-80	+105
3 months	7045-50	+48	7101-2	+109
Settlem't	6930	+45	......	......
Straits E.	$29.66	+0.14	......	......
New York	......	......	......	......

Tin—Morning: Standard, three months £7,020, 7,000, 6,990, 95, 7,000, 10, 20, 30, 40, 45, 50, 45. Kerb: Standard, three months £7,060, 60, 70, 90, 95. Afternoon: Standard, cash £6,970, three months £7,100, 7,095, 7,100, 05, 01, 7,100, 01, 10, 7,095, 90, 7,100, 01, 7,100, 05, 7,100, 01. Kerb: Standard, three months £7,080, 7,100, 05, 10, 05, 7,090, 7,100, 01. Turnover: 2,385 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	467-.5	-.75	468-9	+3.5
3 months	474-.5	......	477-.5	+6.5
S'ment	467.5	-1.5	......	......
Primw'st	......	......	*46.5	......

Zinc—Morning: Cash £466.5, three months £475, 74.5, 75, 74, 73, 73.5, 74, 74.5, 75. Kerb: Three months £474.5, 75. Afternoon: Cash £469, three months £476, 77, 79, 78.5, 78, 77.5, 77. Kerb: Three months £476, 77, 76.5, 76, 76.25, 76.5, 77. Turnover: 11,875 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	618.5-9.5	+1.5	618-.5	+4.5
3 months	638-.5	+4.5	638.5-9	+4.25

Aluminium—Morning: Three months £638, 38.5, 39, 38.5, 38. Afternoon: Cash £619.5, three months £638, 38.5, 39, 38.5. Kerb: Three months £638.5, 38, 38.5. Turnover: 8,550 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	3275-80	+10	3275-80	+35
3 months	3315-20	+15	3218-20	+35

Nickel—Morning: Cash £3,270, three months £3,330, 25, 20, 15. Kerb: three months £3,315. Afternoon: Three months £3,320. Turnover: 1,278 tonnes.

† On previous unofficial close.
* Cents per pound. ‡ M$ per kilo.

SILVER

Silver was fixed 15.25p an ounce higher for spot delivery in the London bullion market yesterday at 477.55p. U.S. equivalents of the fixing levels were: spot $8.9850, up 30.5c; three-month $9.3740, up 32.4c; six-month $9.7850, up 31.5c; and 12-month $10.4790, up 33.2c. The metal opened at 462-467p ($8.75-8.85) and closed at 472.477p ($8.95-9.05).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	477.55p	+15.2	473.5p	-0.25
3 months	492.45p	+15.4	488.5p	+8.5
6 months	509.75p	+15.3	—	......
12months	541.75p	+15.8	—	......

LME—Turnover: 102 (81) lots of 10,000 ozs. Morning: Three months 493, 93.5, 94. Kerb: three months 493. Afternoon: three months 491, 92, 91, 89, 88, 89. Kerb: three months 486, 85, 83, 82, 84, 85, 84, 83.

COCOA

Futures rallied after the second quarter U.S. grinding figure showed an increase of 46.1 per cent but profit-taking later pared these gains for prices. Physical business was scarce with producers withdrawn from the market, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
July	1060-80	+5.0	1068
Sept.	1087-88	-2.0	1110-081
Dec.	1127-29	—	1149-24
March	1144-45	-	1166-43
May	1153-54	+1.0	1169-53
July	1161-68	+4.0	1173-60
Sept.	1174-80	+8.0	1168-67

Sales: 2,807 (3,346) lots of 10 tonnes.

ICCO Futures—Daily prices for July 15: 94.64 (95.92); five-day average 93.10 (92.98).

COFFEE

A stronger market saw values touching roast chart resistance levels but failed to track through the overhead selling despite several attempts by dealers, reports Drexel Burnham Lambert. A retreat from the day's highs in New York offered no fresh incentive for a further rally in London and, in face of jobber liquidation, values drifted lower.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	820-23	+17.0	829-19
Sept.	839-40	+11.0	853-35
Nov	837-38	+11.0	846-32
Jan	832-34	+5.0	843-32
March	828-30	-9.5	838-25
May	828-31	-9.0	835-26
July	816-24	+0.5	—

Sales: 3,102 (2,809) lots of 5 tonnes.

ICO Indicator prices for July 15: (U.S. cents per pound): Comp. Daily 95.96 (95.54): 20-day average 93.29 (93.38).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg). Aug 405, 415, 410; Oct 400, 407, 404; Dec 405, 406, 408-405; Jan 407, 410, 409-406; March 417, 420, 421-418; May 427, 430, 430-428; Aug 436, 440, 437; Oct 437, 440, 438; Dec 438, 440, 439; Jan 440, 442, 441. Sales: 85.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 499.0, 500.0, 500.0,498.5-500.0; Oct 499.5, 499.9, 499.5, 498.0-499.5; Dec 507.0, 508.0, 508.0, 506.0-508.0; March 516.0, 517.0, 516.0, 515.4-516.0; May 524.0, 525.0, 525.0, 524.0-525.0; July 528.0, 529.0, 528.0, 528.5-528.0; Oct 526.0, 527.0, untraded; Dec 528.0, 530.0, untraded. Sales: 132.

GAS OIL FUTURES

GAS OIL FUTURES — — —

A steady opening was followed by a rally reflecting continuing firmness in the physical market. Volume remained steady, with trade interest in the forward months increasing, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
July	306.00	+4.00	506.00-06.00
August	307.75	+4.75	308.00-03.50
September	306.25	+3.25	306.75-04.00
October	308.00	+2.00	509.00-06.00
November	311.00	+0.50	511.25-09.50
December	314.25	+0.75	814.00-15.00
January	317.50	+1.50	317.50-16.00
February	320.00	+1.75	319.50-19.00
March	322.50	+0.50	322.00-21.00

Turnover: 1,302 (1,214) lots of 100 tonnes.

GRAINS

Wheat opened higher in nervous trading, and after easing saw two way shipper/merchant trade. Barley opened unchanged and after hedge selling and profit taking found limited buying interest. In the afternoon very light scale down buying could not stop the weight of liquidations and hedge selling, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
Sep...	102.60	-1.10	96.90	-1.70
Nov...	106.50	-1.20	101.20	-1.80
Jan...	110.50	-1.20	104.90	-2.00
Mar...	114.50	-1.15	108.50	-1.80
May.	117.90	-1.10	111.90	-1.60

Business done—Wheat: Sept 104.70-102.60, Nov 108.70-106.50, Jan 112.50-110.50, March 116.00-114.30, May 119.70-118.00. Sales: 550 lots of 100 tonnes. Barley: Sept 98.65-96.20, Nov 103.00-101.20, Jan 107.00-104.90, March 110.40-108.50, May 113.50-112.40. Sales: 641 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 per cent, Aug 109.75, Sept 110.50, transhipment East Coast sellers. U.S. Hard Winter, 13½ per cent, Aug and Sept 115.75, transhipment East Coast sellers. English Feed fob Sept 107.50, Oct/Dec 112.50, paid East Coast, Oct/Dec 113 sellers East Coast. Maize: French July 128, Aug 125.25, transhipment East Coast sellers. South African Yellow Aug/Sept 95.50 sellers. Barley: English Feed fob Oct/Dec 107, Jan/March 112 sellers East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Other milling wheat: S. East 109.00. Feed barley: S. East 93.00, S. West 93.00, W. Mids 94.00, N. West 93.00. The UK Monetary Coefficient for the week beginning Monday July 20 will remain unchanged.

RUBBER

The London physical market opened steadier, with little interest throughout the day, closing uncertain. Lewis and Peat reported a fob July price for No. 1 RSS in Kuala Lumpur of 240.00 (239.00) cent a kg and SMR 20 212.5 (same).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
August	61.50-61.60	60.20-67.00	64.10-62.80
Sept	62.10-62.70	61.00-61.70	66.40-65.10
Oct-Dec	63.80-63.90	62.70-62.80	69.40-68.40
Jan-Mar	66.20-66.30	64.80-65.00	—
Apl-Jne	69.10-69.20	67.70-67.80	—
Jly-Sept	71.90-72.20	70.60-70.70	—
Oct-Dec	74.90-75.00	73.50-73.60	—
Jan-Mar	77.69-78.00	76.40-76.50	—
Apl-Jne	80.50-80.80	79.20-79.60	--

Sales: 279 (438) lots of 15 tonnes: nil (nil) lots of 5 tonnes. Physical closing prices (buyers) were: Spot 60.50p (59.00p): Aug 60.25p (59.50p); Sept 60.75p (60.00p).

SOYABEAN MEAL

The market opened unchanged and stayed in a narrow trading range, reports T. G. Roddick. A better weather outlook in the U.S. encouraged light trade selling but lack of follow-through saw fresh commission house buying and prices finished steady.

	Yesterdys' Close	+ or —	Business Done
	£ per tonne		
August	155.60-55.7	-0.05	155.10-55.00
October	156.20-56.5	-0.05	156.70-56.00
December	141.40-41.5	+0.25	141.70-41.40
February	144.40-44.5	-0.15	—
April	146.00-46.0	+0.50	—
June	146.50-46.0	-0.25	—
August	147.00-52.0	-0.50	—

Sales: 80 (105) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £234.00 (£225.00) a tonne cif July-Aug-Sept shipment. White sugar daily price £242.00 (£236.50).

The market opened around overnight levels but prices drifted later in quiet conditions, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	217.00-17.25	218.75-17.25	220.00-15.50
Oct.	218.00-18.25	217.50-17.40	220.00-18.55
Jan.	216.75-17.25	215.50-16.50	219.00-18.50
March	218.00-18.80	218.00-18.20	222.25-18.50
May	221.50-21.75	219.75-20.00	223.75-20.75
Aug	222.50-23.00	221.50-22.00	224.75
Oct.	225.50-25.00	222.50-23.50	228.00-18.75

Sales: 4,595 (9,265) lots of 50 tonnes.

SUGAR—(FFr per tonne): Oct 2440/2445, Nov 2435/2460, Dec 2400/2410, March 2455/2465, May 2487/2510, July 2500/2550, Aug 2510/2570, Oct 2520/2580 sales at call one.

Tate and Lyle delivery price for granulated basis white sugar was 360.4 (same) a tonne for home trade and £333.50 (£334.50) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for July 15: Daily price 18.78 (18.87); 15-day average 15.95 (15.87).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 228 tonnes. Further buying developed, mostly in North and South American supplies, but African and Middle Eastern styles were not neglected.

POTATOES

LONDON POTATO FUTURES—The market was thoroughly confused, trading over the £7.00 range on November and closing at the high on April. The reason for sudden firmness is not immediately apparent, reports Coley and Harper. Closing prices: Nov 74.50, +3.90 (high 77.00, low 70.20): Feb. 85.70, +4.90 (high 86.00, low 80.20); April 96.00, +5.20 (high 96.00, low 89.90). Turnover: 353 (253) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 72.5 to 77.1. Veal: Dutch hinds and ends 124.0 to 129.5. Lamb: English small 58.0 to 63.0, Imported frozen New Zealand PL 59.6 to 60.6, PM 56.6 to 58.3. Pork: English, under 100 lb 45.2 to 52.0, 100-120 lb 44.0 to 51.0, 120-160 lb 42.7 to 50.0.

MEAT COMMISSION—Average fatstock prices at representative markets on July 16. GB—Cattle 87.50p per kg lw (−2.83); UK—Sheep 119.45p per kg. est dcw (−24.27); GB—Pigs 68.79p per kg lw (−4.59).

COVENT GARDEN—Prices for the bulk of produce in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 5.10, 56 5.90, 72 5.95, 88 5.35, 112 4.90, 138 4.85, 150 4.40: Californian: 72/113 6.50-7.50. Lemons—Spania: Boxes 5.50-6.50, trays 25/50 2.00-2.80; Californian: 95/145 4.00-5.50; Outspan: 80/195 5.00-7.50; Italian: 100/120 7.00. Grapefruit—Outspan: 40 4.55, 48 4.55, 56 4.10, 64 3.70, 72 3.30; Jaffa: 20 kg 40 2.50-3.00, spring crop 4.20: Apples—S. African: Granny Smith 5.80-6.20, Golden Delicious 5.00-5.50, Starking 4.00-6.00, York 3.80-5.00; Chilean: Granny Smith 4.30-4.50, Starking 5.00; Italian: Starking 5.00; New Zealand: Granny Smith 5.30-6.30, Sturmer Pippin 5.00-5.50.

English Produce: Potatoes—Per 55 lb Kent 2.40-2.80, Essex 2.40-2.60, Lincoln 2.60-2.80. Mushrooms—Per pound open 0.25-0.30, closed 0.65-0.70. Apples—Per pound Bramley 0.10-0.16. Cauliflowers—Per 12 Lincoln 1.60-2.40. Cabbages—Per bag spring 22 lb 1.00-1.50, Primo 20 lb 1.50-2.00. Lettuce—Per 12 round 1.00-1.40, Cos 10/12 2.00. Tomatoes—Per 12 lb 2.40-2.60, E 2.20. Radishes—Per pack of 12 x 8 oz 1.50, bunches of 15 1.50. Onions—Per tray x 20 bunches spring 2.00-2.40, 55 lb 40/60mm 2.50-3.80. Celery—Per 15/24 2.50-3.50. Cucumbers—Per 10/20 1.20-1.60. Gooseberries—Per pound, 12 lb Levellers 0.10-0.25. Broad Beans—Per 24 lb 0.08-0.09. Peas—Per 20-lb net 0.70-1.00; 40 lb 2.50-3.50. Carrots—Per 26/28 lb 1.50-3.00. Strawberries—Per ½ lb 0.14-0.30. Raspberries—Per ½ lb 0.12-0.20. Beetroots—Per 28 lb 2.00-2.40. Marrows—Each 0.15-0.18. Cherries—Per pound 0.50-0.70. Fennel—Per 11 lb 3.80.

★

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shell cod £4.50-£5.40, codlings £1.50-£3.50; large haddock £3.80-£4.20, medium £2.60-£3.60, small £1.20-£2.40; large plaice £4.50-£5.50, meduim £4.00-£5.30, best small 3.00-3.90; skinned dogfish (large) £8.00-£8.50, (medium) £4.00-£5.00; lemon soles (large) £7.50, (medium) £7.00; rockfish £2.80-£3.10; saithe £1.40-£2.20.

PRICE CHANGES

In tonnes unless otherwise stated.

	July 16 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1150/1180	+5	$1250/280
Copper			
Cash w'bar	£906.75	+7.5	£856.25
3 mths	£932.25	+8	£881.25
Cash Cathode	£901.5	+7.75	£850.25
3 mths	£922.75	+7.5	£871.75
Gold troy oz	$417.5	+2.5	$459.5
Lead Cash	£426	+7.25	£364.0
3 mths	£425.75	+7.25	£371.5
Nickel	£3,350.50	......	£3,504.88
Freemkt	275/295c	......	276/285c
Platin'mtr'y oz	£247.0	......	£247
Freemkt	£222.60	+2.85	£224.05
Quicksilvert	$430/435	......	$420/430
Silver troy oz	477.55p	+15.25	503.30p
3 mths	492.45p	+15.45	518.15p
Tin Cash	£6,975	+10.5	£6,442.5
3 mths	£7,101.5	+10.9	£6,567.5
Tungsten22.04lb	$143.64	......	$145.09
Wolfrm 22.04 lbs	$149/152	......	$147/148
Zinc Cash	£468.5	+3.5	£437.5
3 mths	£477.25	+6.5	£437.25
Producers	$925	......	$925
Oils			
Coconut (Phil)	$590w	-5.0	$585.0
Groundnut	‡	......	$605.0
Linseed Crude	£452	......	£442
Palm Malayan	$582.5x	......	$620.0
Seeds			
Copra Philip	$370w	-5.0	$380.0
Soyabean(U.S.)	$300.5z	-3.5	$294.0
Grains			
Barley Fut.Nov	£101.20	-1.8	£94.50
Maize	£128	......	£127.5
WheatFut. Nov	£106.50	-1.2	£99.55
No2 HardWint	£115.75z	......	£111.00
Other commodities			
Cocoa ship't*	£1128	-2	£873.0
Future Sept	£1087.5	-2	£802.5
CoffeeF't' Sept	£859.5	+11	£807.0
Cotton A.Index	85.95c	+0.20	87.55c
Gas oil Aug.	$307.75	+4.75	$276.75
Rubber (Kilo)	60.50p	+1.5	60.5p
Sugar (Raw)	£224w	......	£178.0
Woolt'ps 64s kl.	386p kilo	+6	358p kilo

‡ Unquoted. y Aug-Sept. w July-Aug. z Aug. x Sept. † Per 76-lb flask. * Ghana cocoa. n Nominal.

AMERICAN MARKETS

NEW YORK, July 16.

PRECIOUS METALS and copper rallied in response to the stepped-up conflict in Lebanon. Coffee advanced sharply on indications of a close-weather return in Brazil. Cocoa sold off sharply on a disappointing grind report. Cotton continued its decline on speculative selling and better crop prospects. Maize finished slightly lower on better weather forecasts, while wheat and soyabeans closed slightly higher, based on technical strength in the nearby month and on short covering, reported Heinold.

Copper—July 76.85 (76.55), Aug 77.35 (77.15), Sept 78.60-78.75, Dec 72.25-82.45, Jan 83.45, March 85.80, May 87.95, July 90.05, Sept 92.20, Dec 95.40, Jan 96.50, March 98.60, May 100.70. Sales: 3,100.

*Gold—July 414.7 (411.3), Aug 417.0-418.0 (414.0), Sept 422.9, Oct 428.0-429.5, Dec 438.5-439.5, Feb 448.5, April 459.8, June 470.5, Aug 480.9, Oct 491.6, Dec 502.5, Feb 513.7, April 524.9. Sales: 5,624.

*Platinum—July 405.3 (402.0), Aug nil (nil), Sept nil, Oct 418.0-418.5, Jan 433.9, April 450.2, July 466.8, Oct 483.7. Sales: 2,115.

Potatoes (round whites)—Nov 75.5-76.0 (76.0), Feb 87.0 (88.0), March 90.0, April 102.2-202.8. Sales: 565.

¶Silver—July 887.5 (873.5), Aug 892.0 (879.5), Sept 903.0-907.0, Dec 944.0-948.0, Jan 957.5, March 997.0, May 1008.5, July 1034.0, Sept 1059.5, Dec 1096.0, Jan 1110.5, March 1136.0, May 1161.5. Handy and Harman bullion spot: 886.00 (894.00). Sales: 3,000.

Sugar — No. 11: Sept 16.60-16.63 (16.85), Oct 16.75-16.77 (16.98), Jan 16.80-16.90, March 17.07-17.10, May 17.20-17.25, July 17.40, Sept 17.65, Oct 17.70-17.75.

Tin—592.00-605.00 (590.00-597.00).

CHICAGO, July 16.

Lard—Chicago loose 21.50 (21.00).

Live Cattle—Aug 66.20-66.35 (66.02), Oct 63.77-63.70 (63.47), Dec 64.55-64.40, Feb 66.25, April 66.25, June 67.20.

Live Hogs—July 52.05-52.10 (52.90), Aug 51.55-51.45 (52.10), Oct 49.40-49.00, Dec 52.25-52.35, Feb 54.00, April 53.40, June 55.70, July 55.70, Aug 54.95.

‡‡Maize—July 342¼-342¾ (343¼), Sept 351¼-351 (351¾), Dec 361¼-360¾, March 374-373¾, May 381¼-381, July 386½.

Pork Bellies—July 50.00-50.40 (50.20), Aug 49.70-50.30 (44.82), Feb 64.35-64.25, March 64.62-64.30, May 65.40, Aug 66.10.

†Soyabeans—July 742-746 (729¼), Aug 745-746 (736), Sept 752½, Nov 769-770½, Jan 789½, March 810, May 825½, July 839.

‖Soyabean Meal—July 206.0 (205.5), Aug 207.5-207.0 (206.9), Sept 210.5-210.0, Oct 213.0-213.5, Dec 219.3-218.5, Jan 222.0, March 229.0-229.5, May 232.0-233.0, July 235.0, Aug 235.5-236.5.

Soyabean Oil—July 23.90 (23.49), Aug 24.10-24.12 (23.81), Sept 24.52-24.48, Oct 24.90-24.85, Dec 25.65-25.60, Jan 25.95, March 26.65, May 27.10-27.15, July 27.65, Aug 27.60-27.70.

†Wheat—July 387¼-387 (386), Sept 402-401½ (400½), Dec 431¾-431¼, March 455½-455¼, May 469, July 476.

WINNIPEG, July 16.

§Barley—July 149.80 (144.80), Oct 137.40-137.60 (134.90), Dec 137.50, March 140.00, May 143.00-143.50.

§Wheat—SCWRS, 13.5 per cent protein content cif St. Lawrence 245.47 (243.52).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Wednesday's closing prices

NEW YORK, July 15.

††Cocoa—July 1917 (1895), Sept 1947 (1950), Dec 2045, March 2108, May 2143, July 2173, Sept 2200, Dec 2240.

Cotton—No. 2: Aug 80.00-80.40 (78.40), Oct 77.20-77.30 (76.96), Dec 76.90-77.00, March 78.60-78.80, May 80.20-80.50, July 81.35-81.60, Oct 80.20-80.40, Dec 80.00. Sales: 3,200.

Heating oil (cents per U.S. gallon)—Aug 0.9404 (0.9378), Sept 0.9532 (0.9495), Oct 0.9656, Nov 0.9820, Dec 0.9975, Jan 1.0115, Feb 1.0222, March 1.0399, April 1.0500, May 1.0512, June 1.0600, July 1.0625, Aug 1.0650. Turnover: 4,463.

Orange Juice — July 125.25-125.70 (125.95), Sept 129.00-129.20 (130.35), Nov 132.50, Jan 135.50, March 137.00.

CHICAGO, July 15.

Chicago Imm Gold — July 410.0 (same), Aug 413.5 (same), Sept 419.0-419.8, Oct 424.9, Dec 435.0-435.5, Jan 440.3, March 458.0, April nil, June 468.0.

NEW ORLEANS—Milled Rice Futures (cents per cwt. of U.S. No. 2 long grain): Sept 2365 (2376.4), Nov 2273 (2285), Jan 2316, March 2351, May 2380.

EUROPEAN MARKETS

Maize—(U.S. $ per tonne): U.S. No. 3 Corn Yellow afloat 158, July 156, Aug 155.50, Sept 156.50, Oct 160.50, Nov 161.50, Dec 164, Oct/Dec 162, Jan/March 170.

ROTTERDAM, July 16.

Wheat—(U.S. $ per tonne): U.S. No. 2 Dark Hard Winter, 13.5 per cent, Aug 200, Sept 202. U.S. No. 2 Red Winter July 150, Aug 156. U.S. No. 2 Northern Spring, 14 per cent, Aug 190.50, Sept 193, Oct 196, Nov 202.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Aug 296.25, Sept 296, Oct 300, Nov 301, Dec 306.75, Jan 312.40, Feb 317.50, Mar 321.50, April 327, May 330. Argentine afloat 293 tradeless

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 246 Nov/Mar 263, traded July 247, Aug 248, Sept 249, Oct 255, Nov/Mar 265 sellers. Brazil Pellets afloat 252, July 251, Aug 254, Sept 258, Oct 266.50, Nov/Mar 280 sellers.

PARIS, July 16.

Cocoa—(FFr per 100 kilos): July unquoted, Sept 1195 bid, Dec 1220/1227, Mar 1245/1260, May 1260, bid, July 1280, bid, Sept 1300, bid. Sales at call nil.

INDICES

FINANCIAL TIMES

July 16	July 14	Month ago	Year ago
260.40	260.26	248.63	274.40

(Base: July 1, 1952=100).

MOODY'S

July 15	July 14	Month ago	Year ago
1076.0	1069.1	1084.2	1179.8

(December 31, 1931=100)

DOW JONES

Dow Jones	July 15	July 14	Month ago	Year ago
Spot	383.83	385.43	381.83	434.77
Fut'rs	388.02	388.16	380.98	453.77

(Average 1924-25-26=100).

REUTERS

July 16	July 15	M'nth ago	Year ago
1704.3	1704.3	1746.9	1691.0

(Base: September 18, 1931=100)

PUBLIC NOTICES

BRIGHTON BOROUGH COUNCIL—£1.45m bills issued 15th July, 1981 due 14th October at [illegible]. Total applications £[illegible]. £1.45m bills outstanding.

ROCHDALE METROPOLITAN BOROUGH COUNCIL bills issued 15th July 1981 due 14th October at [illegible]. Applications totalled £[illegible]. £3,000,000 bills outstanding.

LONDON STOCK EXCHANGE

BP issue success is damp squib for equity markets and index closes lower—Money supply upsets Gilts

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
July 27	Aug 6	Aug 7	Aug 17

* "New-time" dealings may take place from 9.30 am two business days earlier.

The fulfilment of recent hopes that British Petroleum's £624m rights issue would eventually prove successful left London equity markets in a state of anti-climax yesterday. Thoughts soon returned to the troubled economic situation and a bleak trading session was coloured only by frequent trading announcements from a variety of leading and secondary groups.

Early news of the bigger-than-expected BP acceptances and the swift placing of the remainder kindled a small general interest. But the market became pre-occupied about the massive drain on investment funds and the lengthy queue of companies waiting to raise fresh capital.

Royal Dutch/Shell's warning about the effect currency translation and conversion will have on the group's second-quarter results tended to curb enthusiasm for the oil majors, although ensuing price falls were minimal. Other industrial leaders, however, went noticeably easier in the after-hours' trade and the FT 30-share index, after displaying a gain of 2.1 at 11 am and a loss of 1.9 at 3 pm, closed 4.4 down at the day's lowest of 529.3.

Grindlays lower

Government securities continued to be dominated by the course of sterling and international interest rates. Further small selling found the market unreceptive, particularly after news of last month's domestic credit expansion and net sterling outflow, and longer-dated stocks fell ⅛ in places; the exception was Transport 3 per cent 1978-88 which rose ⅛ to 60⅞. The shorts moved narrowly either way, apart from low-coupon issues which were often lower. Exchequer 3 per cent 1983, at 90⅛, gave up ⅛ of Wednesday's rise of nearly two points.

Quieter conditions prevailed in Traded options and 1,369 contracts were completed, almost half of which were arranged in BP. Lonrho and Commercial Union recorded 155 and 153 calls respectively.

Yesterday saw first-time dealings in Comtech, the non-oil and gas offshoot of Tricentrol; from an opening level of 10p, the shares attracted good support and touched 14p before closing at 12p.

A particularly firm market recently on bid hopes, Grindlays encountered profit-taking and shed 10 to 240p. The major clearing banks, strong on Wednesday, fluctuated narrowly before closing a shade easier on balance. Lloyds, interim results today, softened 2 to 400p.

The emphasis in Insurances switched to Life issues, among which Hambro, 424p, and London and Manchester, 270p, firmed 6 apiece following the interim reports. The continuing weakness of sterling encouraged further demand for Brokers, among which C. E. Heath, 292p, and Sedgwick, 144p, firmed 7 apiece, while Minet rose 6 to 140p.

Preliminary results from Distillers were deemed satisfactory and the shares rose to 234p before settling for a net gain of 2 at 232p. Arthur Bell attracted good support and rose 8 to 146p in belated response to a Press mention, but Matthew Clark shed 6 to 136p on the announcement that the company is to cease trading in wines.

Noteworthy movements in Buildings were again confined to secondary issues. French Kier added 3 to 85p on revived bid hopes, while Bellway, recently involved in abortive merger talks with William Leech, put on 4 to 86p. Fairclough Construction also firmed 4, to 121p, while *Wiggins Construct revived and gained 5 to 57p.* Allied Residential came in for support and rose 4 to 34p, while H.A.T. Group, responding afresh to the preliminary results, firmed 1½ more to 69½p.

Up 5 on Wednesday on speculative buying, Catalin advanced another 13 to 68p at which level dealings were suspended at the company's request pending an announcement. International Paint put on 10 to 175p on hopes that Courtaulds, which owns nearly 28 per cent of the equity, might bid for the outstanding shares. *Among other Chemicals,* Allied Colloids shed 7 to 146p on the preliminary results and cautious statement.

Gussies please

Preliminary profits from Great Universal Stores proved to be better than the market had expected and the "A" closed 10 better at 458p, after 464p. Other leaders closed a shade easier and the other Stores stayed firm. Secondary issues were featured by H. Goldman, which jumped 5 to 43p, on consideration of the acquisition of Blue Chip Marketing; sentiment was also helped by news that Mr I. M. Ross has acquired more shares in the company and now controls 21.25 per cent. In contrast, profit-taking clipped 5 from Austin Reed "A," 59p, while Curry's, a firm market of late, shed 4 to 192p following the managing director's bearish comments on current trading.

Leading Electricals ended on a quietly dull note. A shade firmer initially, GEC drifted back to close 10 cheaper on balance at 730p, while Racal finished 6 off at 411p. Among secondary issues, satisfactory preliminary results left Eurotherm 7 higher at 300p and revived demand lifted Fidelity Radio 4 to 50p, but Forward Technology showed renewed dullness at 79p, down 5. Quest *Automation* closed 9 to the good at 225p; it was announced yesterday that the company is to raise £4.7m through an equity subscription by the NEB in conjunction with the private sector.

Gestetner weak

The Engineering leaders drifted lower on sporadic offerings and lack of support, Vickers reacting 6 to 151p, Hawker a similar amount to 326p and GKN 5 to 131p. GM Firth, a strong market recently on the news that Mr Iah Wasserman had acquired a 20 per cent stake in the company, rose 6 to 108p following the preliminary results. United Engineering, however, reacted 7 to 205p; the company announced the placing of 6,474,412 shares at 190p yesterday in connection with the acquisition of the Yewlands Group. Comment on the annual results prompted a rally of 1½ to 23p in Birmid Qualcast.

The Food sector featured Unigate which rose 6 to 108p, the increased dividend outweighing the reduced preliminary profits. Kwik Save came in for support among Retailers and added 3 to 211p. Elsewhere, Single were raised 1½ to 27p.

Brent Walker, a dull market recently, rallied 3 to 51p, while the annual results left Wheeler's Restaurants 10 better at 350p.

Leading miscellaneous industrials failed to hold a small initial improvement and closed with losses of a few pence on balance. Boots, up 3 at 224p, however, gained encouragement from the chairman's statement at the annual meeting. Elsewhere, Gestetner A encountered selling following the sharply reduced interim dividend and profits and closed around the day's lowest with a loss of 16 at 39p. Sangers, in contrast, finished 10 up at 80p, after 84p, following a large put-through. Demand in an extremely difficult market lifted Barget 28 to 223p, while Christie-Tyler continued to benefit from the second-half recovery and improved 4 more to 53p. Hollis Brothers, 30p and Duraplpe, 23p, both eased a penny following trading statements. Western Board Mills edged up 3 more to 143p, but Braby Leslie met profit-taking and gave up 6 to 46p following Starwest's statement that it does not intend to bid for the rest of Braby. Occasional demand lifted Norcros 3 to 96½p and RK Watson 5 to 75p, while Cope Allman hardened 3 to 44p. Philip Harris responded to the results with a rise of 8 to 83p.

Ultramar below best

The Leisure sector displayed a couple of contrasting features. Photax (London) gained 5 to a 1980 peak of 58p, but Campari encountered selling and shed 4 to a year's low of 40p.

Dowty attracted good support ahead of next Tuesday's annual results and closed 6 better at 287p after having touched 291p.

Haslemere Estates' preliminary profits exceeded market estimates and the close was 16 up at 428p. Elsewhere in the Property sector, Law Land, up 19 on Wednesday on the share exchange offer from Churchbury Estates, touched 121p before closing a net penny dearer at 119p; Churchbury firmed 5 to 725p, after 730p. Regional A attracted speculative buying and put on 9 to 185p, while Mountview Estates firmed 4 to 174p. Allnatt (London), a thin market, advanced 10 to 230p following the annual results.

Golds surge ahead

The successful completion of the BP rights issue prompted a further modest improvement in the Oil leaders, but quotations subsequently drifted back to finish with small falls on balance. Still reflecting bid hopes, Ultramar rose afresh to 470p before settling at 465p, up 7 on the day. Atlantic Resources advanced 15 to 195p, but Gaelic eased 5 to 335p on the proposed rights issue. Tricentrol were quoted at 254p, up 4, following the hiving-off of Comtech.

Atlas Investment Trust advanced 17 to 205p following an approach to the company. Other Trusts were selectively firm.

Full-year figures from Illingworth Morris were no worse than the market had feared and, despite the omitted dividend, the close was unchanged at 17p.

Rothmans' annual results were also in line with estimates and the shares, buoyed by renewed takeover speculation, closed 2¼ to the good at 72¼p.

The continued recovery of the bullion price—it rose $2.5 for a two-day gain of $16.50 to $417.50 an ounce—prompted persistent and heavy demand for South African Golds.

Good overnight American buying was followed by sizeable support from Johannesburg and other international centres and share prices made good progress throughout the day prior to easing a shade just before the official close.

However, after-hours' trading saw renewed demand from the U.S. which took prices to the day's best. The Gold Mines index advanced 19.3 to 335.2 — its highest for more than a month.

The South African buying was mainly directed towards the top-quality stocks with "Amgold" prominent and finally £2¼ firmer at £44¾ and Free State Geduld £2¼ up at £20⅞, the latter ahead of quarterly results due next week.

Gains ranging from a point to £1¼ were common to Randfontein, £33¾; Hartebeest, £27¼, Vaal Reefs, £33⅞, and President Brand, £20¼.

In medium and lower-priced issues, rises in excess of 50 were seen in Blyvoor, 691p, and Stilfontein, 771p.

London-based Financials, on the other hand, failed to reflect the renewed strength of precious and base metal prices although Gold Fields managed to add 3 at 455p.

Australians were featured by Hampton Areas, which touched 295p, before closing a net 28 up at 230p reflecting its North Sea oil activities. Northern Mining moved up 10 to 200p, Bond Corporation 5 to 220p and Western Mining 6 to 301p. Tins showed Geevor 3 up at 110p following the six-month high attained by tin prices on the London Metal Exchange.

FINANCIAL TIMES STOCK INDICES

	July 16	July 15	July 14	July 13	July 10	July 9	A year ago
Government Secs.	65.90	64.09	64.27	64.61	64.56	64.60	71.96
Fixed Interest	66.34	66.29	66.31	66.40	66.23	66.16	73.02
Industrial Ord.	529.3	533.7	531.9	532.1	[illegible]	[illegible]	[illegible]
Gold Mines	335.2	316.0	314.5	323.9	323.2	[illegible]	560.2
Ord. Div. Yield	6.00	5.98	5.98	5.98	6.07	6.15	7.29
Earnings Yld. % (full)	11.87	11.49	11.52	11.52	12.08	12.30	17.68
P/E Ratio (net) (*)	10.85	10.91	10.87	10.87	10.52	10.09	6.85
Total bargains	16,451	16,945	18,098	18,036	19,673	18,918	26,664
Equity turnover £m.	—	119.99	102.78	100.18	149.78	155.88	160.12
Equity bargains	—	11,587	13,145	13,267	15,367	14,469	19,745

10 am 534.6. 11 am 535.8. Noon 533.5. 1 pm 533.4. 2 pm 532.4. 3 pm 531.8.

Latest Index 01-246 8026.

*Nil=9.98.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (29/4)	63.81 (8/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (28/5)	66.15 (8/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (6/1)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	July 15	July 14
Daily Gilt Edged Bargains	209.5	220.3
Equities Bargains	76.1	85.2
Value	242.5	207.7
5-day Avrge. Gilt Edged Bargains	204.6	196.2
Equities Bargains	87.9	92.4
Value	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (60)

BRITISH FUNDS (4)
AMERICANS (1)
CANADIANS (2)
BANKS (2)
BEERS (1)
CHEMICALS (2)
ELECTRICALS (2)
ENGINEERING (5)
FOODS (1)
INDUSTRIALS (13)
INSURANCE (6)
LEISURE (1)
MOTORS (1)
PAPER (2)
PROPERTY (3)
SOUTH AFRICANS (1)
TEXTILES (1)
TRUSTS (8)
OIL AND GAS (1)
OVERSEAS TRADERS (2)
MINES (3)

NEW LOWS (25)

BRITISH FUNDS (7)
Exch. 12pcCnv. '85 Consols 4pc
Treas. 10pc 1992 War Loan 3½pc
Exch. 10½pc 1997 Conv. 3½pc '66 Aft.
Treas. 13½pc '04-08

AMERICANS (1)
Amdahl

BANKS (1)
Smith St Aubyn

STORES (2)
Milletts Leisure Raybeck

ELECTRICALS (2)
Forward Technology Perkin-Elmer 4pc

ENGINEERING (1)
RHP

INDUSTRIALS (5)
Christie-Tyler Ryan (L.)
Harvey & Thompson WGI
Pitney Bowes Ln

LEISURE (1)
Campari Int.

MOTORS (1)
Armstrong Equipment

NEWSPAPERS (1)
Intnl. Thomson Conv.

TOBACCOS (1)
Imperial

TRUSTS (1)
Suez Finance

OIL AND GAS (1)
BP 8pcPf.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	69	16
Corpns. Dom & Foreign Bonds	6	1	60
Industrials	232	182	856
Financial & Props.	185	40	274
Oils	30	14	49
Plantations	6	—	17
Mines	84	9	74
Others	78	35	77
Totals	629	350	1,523

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change
Braby Leslie	46	−6
Catalin	68*	+13
Distillers	232	+2
Driefontein	£14	+1¼
Firth (G. M.)	108	+6
F. S. Geduld	£20⅞	+2
Gestetner A	39	−16
GUS A	458	+10
Hampton Areas	230	+28
Haslemere Estates	428	+16
Sangers	80	+10
Ultramar	465	+7

* Price at suspension

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in the SE Official List

Stock	No. of price changes	Wednesday's closing price pence	Day's change
Law Land	17	118	+19
Marks & Spen.	16	133	+6
BP	15	302	+4
Shell Trans.	14	376	+8
Hambro Life	13	418	+18
NatWest Bank	13	412	+17
GEC	12	740	—
Ultramar	12	458	+15
Barclays Bk.	11	448	+16
Polly Peck	11	330	+25
Dowty	10	281	+5
Midland Bank	10	340	+10
RTZ	10	530	+8
BTR	9	338	+6

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 6	July 17	Oct. 8	Oct. 19
July 20	July 31	Oct. 22	Nov. 2
Aug. 3	Aug. 14	Nov. 5	Nov. 16

For rate indications see end of Share Information Service

Stocks favoured for the call included FNFC, *Wiggins Construct*, Town and City Properties, Lonrho, Royal Insurance, Culter Guard Bridge, Pancontinental, Royal Bank of Scotland, KCA, Dunlop, Single, Bardsey, Rockware, Premier Oil, Campari, Western Selection and Fairclough Construction. No puts were reported but a double was taken out in *FNFC*.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Residential 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bonusbond	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bula Resources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cambridge Elec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Comtech 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Energy Sources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Explaura Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	ICC Oil services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Jackson Exploration	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	KCA Drilling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Memec 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mexico Fund	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Murray Technology	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Star Computer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Trident Comp. Serv.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	United Ceramic Dist.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Wolfe Comp. & Technol	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Zygal Dynamics	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Aitken Hume 10% Cnv. Uns. Ln. 1990/91	[illegible]	[illegible]
99.87	F.P.	[illegible]	[illegible]	[illegible]	Finland 14½% Ln. 1986	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Inco 15% Uns. Ln. 2006	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid-Kent Water 9% Red. Prf. 1987	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mid-Southern Wat. 9% Red. Prf. '86	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mount Charlotte 9% Cnv. Ln. 1995-2000	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Newcastle Water 7¼% Red. Prf. 1986	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Prop. Hldg. & Inv. Tst. Cnv. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sunderland & S. S. Water 9% Red. Prf. '87	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	AGB	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	A.I.D.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brengreen	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	B.P.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Crouch (D)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	English Association	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Euro Ferries	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fine Art	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flight Refuelling	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Goers Group	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	G.R.E.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hong Kong & Shanghai Bk.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Horizon Travel	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lyle Shipping	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Northern Engineering	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Old Swan Hotel	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Second City Props	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sterling Credit	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. †† Reintroduced. ‡‡ Issued in connection with reorganisation, merger or takeover. ||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur., July 16, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed., July 15 Index No.	Tues., July 14 Index No.	Mon. July 13 Index No.	Fri. July 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	349.38	−0.5	10.47	4.47	11.78	351.26	350.47	348.32	346.46	283.06
2	Building Materials (25)	302.23	—	13.00	5.64	9.37	302.31	301.81	298.41	299.13	268.06
3	Contracting, Construction (28)	557.54	+0.8	17.02	5.09	6.83	553.18	552.83	548.32	543.55	419.64
4	Electricals (29)	1140.05	−1.1	8.06	2.41	15.17	1152.98	1152.86	1152.68	1142.86	793.75
5	Engineering Contractors (11)	496.88	−0.7	11.99	5.43	10.05	500.25	499.14	490.20	487.64	333.79
6	Mechanical Engineering (69)	208.83	−0.5	12.74	5.69	9.86	209.92	208.96	207.15	206.48	188.89
8	Metals and Metal Forming (13)	145.83	−1.2	11.06	8.15	11.89	147.62	147.83	145.35	144.86	172.90
9	Motors (21)	98.57	−0.4	2.21	7.08	—	98.98	98.70	99.35	99.34	103.17
10	Other Industrial Materials (18)	379.75	+0.3	9.61	5.28	12.47	378.76	375.29	370.98	368.35	0.00
21	CONSUMER GROUP (195)	279.76	—	12.46	5.71	9.87	279.67	278.18	277.46	274.26	238.85
22	Brewers and Distillers (20)	310.51	+0.4	14.76	6.21	8.06	309.39	308.71	308.26	303.50	304.24
25	Food Manufacturing (21)	259.80	+0.2	15.05	6.38	7.99	259.38	258.85	256.22	256.22	218.01
26	Food Retailing (14)	527.47	+0.2	9.33	3.37	12.77	526.35	528.39	525.51	517.81	339.99
27	Health and Household Products (7)	337.72	−0.5	8.16	4.34	14.61	339.50	338.69	336.65	333.68	233.82
29	Leisure (22)	431.30	−0.3	10.06	4.90	12.29	432.74	432.76	431.68	421.94	345.49
32	Newspapers, Publishing (12)	504.41	−0.8	12.34	5.94	11.53	508.27	508.62	497.85	494.91	442.11
33	Packaging and Paper (13)	144.50	−0.5	14.54	7.33	8.17	145.24	144.34	144.46	142.77	140.37
34	Stores (44)	261.84	+0.1	11.03	5.05	12.07	261.54	256.36	257.06	253.82	228.40
35	Textiles (23)	159.97	+0.2	7.38	5.78	19.41	159.71	159.18	158.33	156.48	134.43
36	Tobaccos (3)	248.31	—	21.16	9.99	5.51	248.32	251.30	251.78	249.51	225.07
39	Other Consumer (16)	299.67	+0.8	5.42	6.25	34.86	297.33	297.26	294.90	294.36	0.00
41	OTHER GROUPS (79)	224.32	−0.3	13.13	6.75	9.31	224.97	223.99	222.65	222.17	229.60
42	Chemicals (15)	278.10	−0.4	11.69	7.47	10.69	279.33	278.40	279.04	275.13	321.10
44	Office Equipment (6)	108.02	−2.5	15.29	7.75	7.88	110.78	110.35	108.58	113.02	109.63
45	Shipping and Transport (13)	540.42	—	16.33	7.03	7.18	540.17	536.24	534.69	534.68	607.41
46	Miscellaneous (45)	296.62	+0.3	13.03	5.64	9.40	295.74	294.38	290.34	290.28	285.04
49	INDUSTRIAL GROUP (488)	295.72	−0.2	11.79	5.37	10.43	296.38	295.18	293.90	291.54	255.10
51	Oils (12)	707.08	−0.4	23.73	8.13	4.67	709.99	697.55	694.29	675.00	809.02
59	500 SHARE INDEX	329.05	−0.3	13.82	5.84	8.63	329.89	327.80	326.36	322.65	299.03
61	FINANCIAL GROUP (118)	271.36	+0.2	—	5.39	—	270.87	265.51	265.09	263.65	235.20
62	Banks (6)	280.13	−0.6	32.72	6.47	3.56	281.75	272.67	275.75	273.57	245.51
63	Discount Houses (10)	277.91	−0.4	—	8.11	—	279.15	278.38	277.45	274.47	291.16
64	Hire Purchase (3)	242.87	—	12.61	7.48	10.98	242.87	244.35	245.83	244.96	247.48
65	Insurance (Life) (10)	276.08	+0.2	—	5.48	—	275.51	268.76	267.29	266.79	231.57
66	Insurance (Composite) (9)	175.00	−0.1	—	7.28	—	175.15	172.10	171.52	173.10	156.79
67	Insurance Brokers (8)	411.88	+2.7	10.83	5.63	12.53	400.98	395.65	391.25	390.65	346.23
68	Merchant Banks (13)	173.29	+0.7	—	4.90	—	172.08	172.12	169.45	169.05	138.28
69	Property (49)	499.36	+0.7	3.69	2.78	37.13	495.67	489.66	487.44	478.88	437.50
70	Miscellaneous (10)	181.60	−0.9	17.77	5.65	6.84	183.18	177.46	176.53	175.61	143.13
71	Investment Trusts (109)	310.80	+0.8	—	5.09	—	308.35	308.15	306.43	305.64	262.75
81	Mining Finance (3)	248.78	+0.2	14.15	5.49	8.32	248.19	247.83	247.25	247.47	246.05
91	Overseas Traders (20)	436.07	+0.8	11.72	6.83	10.64	432.56	431.58	430.16	430.45	416.67
99	ALL-SHARE INDEX (750)	317.81	−0.1	—	5.72	—	318.04	315.37	314.18	311.31	285.99

FIXED INTEREST

	PRICE INDICES	Thur., July 16	Day's change %	Wed., July 15	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.91	−0.01	107.26	0.34	5.94
2	5-15 years	102.02	−0.32	103.22	0.88	7.38
3	Over 15 years	103.57	−0.45	104.03	—	8.03
4	Irredeemables	114.20	−0.47	114.74	—	7.43
5	All Stocks	103.85	−0.25	104.53	0.41	7.06
6	Debentures & Loans	81.32	+0.18	81.17	—	6.11
7	Preference	62.20	+0.23	62.06	—	3.74

	AVERAGE GROSS REDEMPTION YIELDS		Thur., July 16	Wed., July 15	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	12.52	12.44	11.22
2		15 years	13.38	13.33	11.19
3		25 years	13.64	13.59	11.19
4	Medium Coupons	5 years	14.78	14.76	12.60
5		15 years	15.38	15.30	12.58
6		25 years	14.94	14.86	12.55
7	High Coupons	5 years	14.85	14.84	12.71
8		15 years	15.55	15.47	12.97
9		25 years	15.16	15.08	12.91
10	Irredeemables†		12.96	12.89	10.92
11	Debs & Loans	5 years	15.79	15.81	13.45
12		15 years	15.90	15.94	13.54
13		25 years	15.91	15.95	13.55
14	Preference†		16.05	16.10	14.49

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Clive Investments (Jersey) Ltd.
Cornhill Ins. (Guernsey) Ltd.
Cortexa International
Delta Group
Deutscher Investment-Trust
Dreyfus Intercontinental Inv. Fd.
Duncan Lawrie Inv. Mgt. (Jersey)
Emson & Dudley Tst. Mgt. Jrsy. Ltd.
The English Association
Eurobond Holdings N.V.
F & C Mgmt. Ltd. Inv. Advisers
Fidelity International Ltd.
First Viking Commodity Trusts
Fleming Japan Fund S.A.
Frankfurt Trust Investment-GmbH
Gartmore Invest. Ltd. Ldn. Agts.
Hill-Samuel & Co. (Guernsey) Ltd.
International Pacific Inv. Mngt. Ltd.
Jardine Fleming & Co. Ltd.
Kleinwort Benson Group
Lloyds Bank International Geneva
M & G Group
Rothschild Asset Management (C.I.)
Schroder Life Group
J. Henry Schroder Wagg & Co. Ltd.
Surinvest (Jersey) Ltd.
TSB Trust Funds (C.I.)
Tokyo Pacific Holdings N.V.
Tyndall Group
S. G. Warburg & Co. Ltd.
World Wide Growth Management

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	67.0	72.1	+0.2	2.61
Abbey Capital	50.7	54.6	+0.2	4.01
Abbey General	58.8	63.5	—	4.85
Abbey Gilt & F.I. Tst.	98.1	103.3	-0.2	12.66
Abbey Income	37.3	40.3	—	8.71
Abbey W'w.Bd.Tst.	97.1	102.9	+0.2	6.53
Abbey Inv. Ts. Fd.	54.7	59.1	+0.3	4.05
Equitas Prog. Tst.	85.7	92.6	+0.5	4.42

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	85.4	88.6	-0.2	12.90

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	94.5	101.1	+0.4	5.54
Brit. Inds. Fund	79.0	84.5	+0.3	5.04
Growth & Income	53.8	57.6	+0.2	4.34
Elect. & Ind. Dev.	48.0	51.3	+0.1	4.86
Allied Capital	104.0	111.5	+0.4	3.95
Hambro Fund	134.0	148.7	+0.8	5.35
Hambro Acc. Fund	196.7	210.5	+0.7	3.90

Income Funds

High Yield Fd.	69.4	74.3	+0.1	8.08
High Income	84.8	90.7	+0.5	7.06
Equity Income Fd.	47.3	50.6	+0.2	7.32
Govt. Secs.	24.4	24.0	-0.4	12.92

International Funds

International	40.5	43.2	+0.1	1.92
Japan Fund	32.1	34.3	+0.3	0.18
Pacific Fund	83.6	89.0	—	0.89
Secs. Of America	91.8	98.2	—	1.68

Specialist Funds

Smaller Co.'s Fd.	60.1	64.3	+0.2	3.65
2nd Smlr. Co's Fd.	[illegible]	[illegible]	[illegible]	[illegible]

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	34.4	37.6	-0.1	12.09
North American	72.5	77.3	+0.3	2.21
Canadian Exempt*	81.5	85.1	—	2.70
Canadian Trust	72.3	78.1	+0.2	2.25
Mid Mount High Inc.*	48.5	51.9	—	9.39
Recovery	59.3	64.8	-0.1	6.54
Gilt Trust	39.8	41.7	-0.1	13.90

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3. 031-226 4931

Cres. Amer. Fd.	48.2	52.0	+0.2	0.48
Cres. Internat'l.	95.4	103.0	+0.1	1.46
Cres. High. Dist.	45.5	49.1	+0.1	9.16
Cres. Reserves	53.5	57.7	+0.3	5.20
Cres. Tokyo	43.8	47.3	+0.2	0.26

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.8	25.2	—	8.38

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. July 10	250.8	267.5	—	4.95

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA. 01-623 8893

Great Winchester	18.8	20.9	—	8.30
Gt. Winchester O'seas	30.8	34.2	—	3.40

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	96.3	101.3	+0.6	4.30

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD. 01-248 4891

American (z)	42.7	46.0	-0.3	0.46
Ameri.Spec. Sits. (z)	31.8	34.9	—	0.07
Gilt + Fixed Int.	22.3	23.4	-0.2	13.40
Growth + Income	34.4	37.0	+0.1	4.93
Maximum Inc. Eq. Tst.	29.8	32.1	—	8.44
Special Sits.	43.1	46.4	+0.1	1.60

James Finlay Unit Trust Mngt. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP.

Local Authorities' Mutual Invest. Tst.
77, London Wall, EC2N 1DB.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ.

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

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ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPERS, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
463	395	Lon. Prov. Shp. 10p.	435	......	†2.4	1.6	0.8	—
*140	109	Lon. Shop Prop	111	......	†3.1	1.8	4.0	16.3
316	216	Lynton Hdgs. 20p	280	......	§3.1	2.0	1.6	45.1
252	214	MEPC	246	+1	†5.75	1.2	3.3	32.3
56	39	Marlborough 5p	43	+1	0.33	1.6	1.1	(73.7)
96	67	Marler Estates	92	......	2.0	2.4	3.1	(15.7)
29	23	McInerney 10p.	24	......	Q28.6%	2.4	9.2	6.0
148	130	McKay Secs. 20p.	140	......	†2.7	2.5	2.8	30.8
128	76	Mountleigh	115	......	†3.0	4.3	3.7	6.7
202	146	Mountview 5p	174	+4	2.9	7.6	2.4	7.9
125	100	Muckiow (A. & J.)	110	......	†3.88	2.5	5.0	(15.9)
400	280	New Cavendish 5p.	380	......	—	—	—	—
209	143	North Brit. Props.	187	......	†2.8	1.8	2.1	37.6
161	135	Peachey	143	+1	4.0	2.3	4.0	16.0
13½	8¾	Pennine Com. 10p.	9	......	—	—	—	—
75	44	Property Hlt. & Fin.	67	......	—	—	—	—
*174	150	Prop. Hldg. & Inv.	164	+2	3.08	1.4	2.7	37.2
265	202	Prop. Part'ship.	257	......	5.0	2.0	2.8	26.1
182	150	Prop. & Rev.	176	+4	3.0	1.6	2.4	37.6
210	169	Prop. Sec. Inv 50p	182	+1	†1.8	1.4	1.4	—
18	12½	Raglan Prop 1p	14	+¼	♦—	—	—	—
46	29	Regalian	44	+2	—	—	—	8.4
182	130	Regional Prop	164	+4	†1.9	2.3	1.7	37.2
180	130	Do. 'A'	165	+9	†1.9	2.3	1.6	37.4
326	207	Rosehaugh 10p.	312	......	2.1	11.1	1.0	13.4
250	194	Rush & Tompkins	224	+2	3.75	0.5	2.4	—
131	107	Samuel Props	118	+1	†4.2	2.1	5.1	11.8
128	100	Scot. Metrop. 20p.	112	......	†3.25	1.3	4.1	31.2
*78½	60	Second City 10p	66½	+½	b2.22	2.3	4.8	(8.1)
155	132	Slough Ests	142	......	2.76	2.0	2.8	(21.6)

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
260	232	Dominion & Gen.	256	+2	10.7	1.0	6.0
168	147	Drayton Com'cl	157	+1	7.0	1.1	6.4
182	162	Do. Cons.	167	+3	7.6	1.2	6.5
90½	66½	Do. Far Eastern	90	+½	1.24	1.5	2.0
226	208	Do. Premier	213	......	10.2	1.1	6.8
78	68	Dualvest Inc. 50p.	69	......	6.97	1.0	14.4
494	384	Do. Capital £1	468	......	—	—	—
92	75	Dundee & Lon.	91	+1	3.85	0.9	6.0
117	79	Edinburgh Am. Tst.	113	......	0.8	1.1	1.0
77	61	Edinburgh Inv.	73	......	1.96	1.0	3.8
60	47	Electra Inv. Tst.	60	+½	2.69	1.0	6.4
125	107	Elect. & Gen.	123	+1	2.45	ϕ	2.9
500	462	Energy Res. & Serv. $5	487	......	—	—	—
126	109	Eng. & Internat'l	114	......	5.5	1.1	6.9
96	80½	Eng. & N.Y. Trust	91	......	4.05	1.1	6.4
76	63	Eng. & Scot. Inv	75	......	1.8	1.1	3.4
29	24	Eng. Nat. Inv. Prefd.	28	+1	2.36	1.5	12.0
80	73	Eng. Nat. Inv. Defd.	78	+1	4.54	0.8	8.6
147	134	Equity Cons't £1	138	......	9.28	ϕ	10.1
245	206	Do. Def'd 50p	234	+2	10.15	ϕ	6.5
300	263	Equity Inc. 50p	288	−2	†16.5	1.1	8.2
89	71	Estate Duties	79	−1	2.3	1.1	4.2
56	49½	F. & C. Eurotrust	51½	......	1.45	1.1	4.0
121	101	Family Inv. Tst.	118	......	6.0	1.1	7.3
14	12	First Charlotte Assets	12	−½	—	—	—
128	101½	First Scot. Am.	128	+4	4.55	1.0	5.1
75	58	Foreign & Col	70½	+1½	h1.85	1.0	3.7
110	81	F.U.G.I.T.(R0.25)	110	+2	†Q14c	ϕ	5.1
58	48	Fulcrum Inc.	51	......	4.6	1.1	12.9
6	3½	Do. Cap. 2½p	4¾	......	—	—	—

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
*415	278	Brit. Petroleum	300	−2	†20.25	3.4	9.6	3.4
66	53½	Do. 8% Pf. £1	53½	−2½	5.6%	16.35	15.0	—
18	9	Brunswick Oil NL	12½	......	—	—	—	—
190	115	Burmah £1	119	......	6.5	2.1	7.8	(7.1)
£65½	£57	Do. 8½ Ln. 91/96	£57xd	......	Q8½%	14.6	e16.2	—
305	187	✠CCP North Sea	205	......	—	—	—	—
365	260	††Cambridge Pet. 20p	363	......	♦—	—	—	—
230	157	††Candecca Res.	202	+2	—	—	—	—
189	118½	Carless Capel 10p	146	+3	2.75	1.7	2.7	27.6
89	68	Century 10p	70	......	2.8	2.8	5.7	7.3
190	135	Ceres Res. C$5.00	140	+5	—	—	—	—
106	58	Charterhall 5p	67	......	—	—	—	—
94	69	Charterhouse Pet.	84	......	1.0	3.8	1.7	22.1
£23½	812	Cie Fr. Petroles B.	850	......	Q54%	ϕ	29.2	ϕ
28	10½	Claremont Pet NL.	15	......	—	—	—	—
296	205	✠Chaff Oil £1	210	......	—	—	—	—
304½	205	✠Do. Cnv. A	230	+5	—	—	—	—
210	143	✠Clyde Petroleum	195	......	0.55	1.8	0.4	—
27	13	Collins (K) Pet 1c	16	+1	—	—	—	—
235	92	✠Conroy Pet IR£0.25	190	......	—	—	—	—
42	38	Dorset Res. C$1	39	−1	—	—	—	—
345	160	Double Eagle††	190	......	—	—	—	—
278	208	††Edinburgh Secs.	218	+2	g1.28	1.4	0.8	—
185	100	††Egl'ton Oil & Gas	115	......	—	—	—	—
117	87	Energy Capital 12½p	93	+1	—	—	—	—
104½	77	Falmouth Pet††	80	......	—	—	—	—
*134½	82	✠Floyd Oil 10p	90	......	—	—	—	—
345	175	††Gaelic Oil 20p	335	−5	—	—	—	—
555	425	Gas & Oil Acre 20p	430	......	—	—	—	—
220	128	Genoa Oil NL 50c	183	......	—	—	—	—

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
45	32	Acmex 50c	42	......	Q2.5c	—	3.7
41	14	ACM 20c	35	+1	—	—	—
21	11½	Argosy Gold NL 25c	14	......	—	—	—
229	137	Bond Corp.	220	+6	Q7½c	1.9	2.1
104	76	Bougainville I Kina	92	......	Q25.6	1.0	17.0
302	214	CRA 50c	250	−4	Q19c	1.7	4.6

Tins

Copper

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
330	180	Colby Res. Corp.	265	−5	—	—	—
275	200	Cons. Murch. 10c.	230	......	†Q30c	1.8	7.5
98	58	††Hemerdon 10c.	58	......	—	—	—
180	135	Highwood Res.	150	......	—	—	—
400	300	Northgate C$1	330	−10	—	—	—
580	372	R.T.Z.	525	......	16.0	3.2	†7.9
£125	£93½	Do. 9½% Cv. Uns. Ln. 95-2000	£120	......	Q9½%	—	†8.2
*51	32	††SPD Minerals 10p	32	......	—	—	—
47	27	Sabina Inds. C$1	27	......	—	—	—
44	28	††SWCM 10p	37	......	—	—	—
555	465	Tara Exptn. $1	550	−5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ✱ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- ¶ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	45	+1	Conv. 9% '80/82	£91⅝	......
Bertam	10½	−½	Nat. 9¾% 84/89	£69⅞	−⅛
Bdg'wtr. Est. 50p	475	......	Fin. 13% 97/02	£80⅝	+⅛
Craig & Rose £1	£12½	......	Alliance Gas	69	......
Finlay Pkg. 5p	21	......	Arnott	235	......
Graig Ship. £1	£22	−1	Carroll (P.J.)	87	+2
Higsons Brew	70	......	Concrete Prods.	93	......
Holt (Jos) 25p	485	......	Helton (Hldgs.)	30	......
I.O.M. Stm. £1	162	......	Ins. Corp.	400	......
Pearce (C. H.)	880	......	Irish Ropes	43	......
Peel Hldgs.	100	......	Jacob	59	......
Sheff. Refrshmt.	97	......	T.M.G.	15	......
Sindall (Wm.)	195	......	Unidare	108	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	House of Fraser	14	Utd. Drapery	6½
BOC Intl.	11	I.C.I.	20	Vickers	18
B.S.R.	7	"Imps"	7	Woolworths	6
Babcock	11	I.C.L.	6	**Property**	
Barclays Bank	36	Ladbroke	30	Brit. Land	8
Beecham	18	Legal & Gen.	20	Cap. Counties	11
Blue Circle	35	Lex Service	10	Land Secs.	37
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	24	"Lots"	4½	Peachey	15
Brit. Aerospace	17	London Brick	7	Samuel Props.	13
B.A.T.	25	Lucas Inds.	18	Town & City	2¾
Brown (J.)	9	"Mams"	20	**Oils**	
Burton Ord.	14	Mrks. & Spncr	11	Brit. Petroleum	33
Cadburys	7½	Midland Bank	26	Burmah Oil	16
Courtaulds	7	N.E.I.	8	Charterhall	8
Debenhams	10	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	12	Premier	7½
Dunlop	8½	Plessey	28	Shell	32
Eagle Star	25	Racal Elect.	34	Tricentrol	30
F.N.F.C.	3	R.H.M.	5	Ultramar	44
Gen. Accident	30	Rank Org. Ord.	18	**Mines**	
Gen. Electric	60	Reed Intnl.	25	Charter Cons.	21
Glaxo	28	Sears	5	Cons. Gold	45
Grand Met.	18	Tesco	5½	Lonrho	9
G.U.S. 'A'	44	Thorn EMI	38	Rio T. Zinc	45
Guardian	30	Trust Houses	15		
G.K.N.	15	Tube Invest.	18		
Hawker Sidd.	25	Turner & Newall	10		
		Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 34

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Friday July 17 1981

U.S. seeks strategic gas reserve

BY SUE CAMERON AND RAY DAFTER

THE U.S. Government is urging the development of strategic gas reserves in the North Sea to counteract the danger of the Soviet Union cutting off huge supplies of Siberian gas to Western Europe.

U.S. anxiety has been triggered by Soviet plans to build a 3,000-mile long gas pipeline from the Yamburg field in Western Siberia to West Germany, where it will be linked in to other European gas lines.

The £4.5bn line will be the world's biggest natural gas project and will be capable of carrying 40bn cubic metres a year to Europe. But the Reagan Administration is worried that the USSR could use the line as a political or economic weapon. It has asked the Western European nations to consider paying for the development of a major gas field in the North Sea that would then be held in reserve against such a threat from Russia.

The U.S. has expressed its concern over Europe's dependence on Soviet gas supplies in a series of discussions with ministers and officials from West European countries. Britain, Norway and West Germany are among those that have taken part in the talks.

The issue is expected to be raised at a meeting later this month between Lord Carrington, Britain's Foreign Secretary, in his capacity as president of the EEC's council of foreign ministers, and Mr Knut Frydenlund, Norway's Foreign Minister.

As an alternative to the North Sea idea it has been suggested within the oil industry that some ofthe reserves in Holland's large Groningen gas field could be held back for use in an emergency.

But it appears that there are differences of opinion between the various governments over the prospects of Russia cutting off supplies. Britain and Germany evidently believe the Soviet Union will not risk its hard-won reputation as a reliable energy supplier and commercial partner with Western countries. The U.S. and France, on the other hand, are more concerned about possible political trouble.

An appraisal of Western Europe's potential dependence on Soviet energy is now circulating within Whitehall as part of the general debate. It is understood also that Energy Department officials have studied the possibility of using some of Britain's North Sea gas as a strategic reserve.

But British officials have apparently concluded that such a scheme would be expensive, and technically difficult because there no direct gas pipeline link between the UK and the Continent. It was also felt that there were insufficient gas resources on the UK side of the North Sea median line for part of them to be kept indefinitely in reserve. Norway, which does not use natural gas itself, is believed tobe in a far better position to provide strategic supplies in an emergency.

North Sea oil spot prices up 8% in a month

BY RAY DAFTER, ENERGY EDITOR

THE SPOT market price of North Sea oil has risen sharply in the past few days—the first significant increase since the peak of November last year.

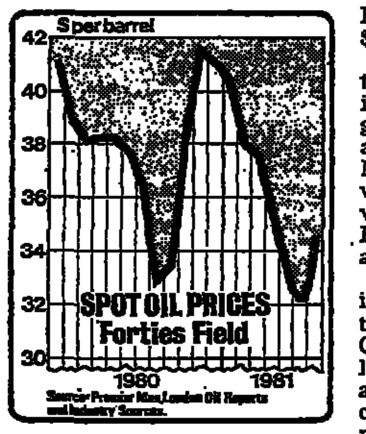
Oil traders reported yesterday that spot cargoes of Forties Field crude oil were valued at between $34.50 and $34.60 a barrel, nearly $1.50 a barrel more than a week ago and almost 8 per cent up on a month ago.

The spot prices of other crudes have also risen, although not so much. For instance, the rate for Saudi Arabia's Arab Light oil was about $32.25—some 50 cents up on last week and 25 cents above the kingdom's official contract price.

Traders said that the market was beginning to react to the prospect of increased demand following a period of substantial reductions in stocks. More importantly, production cuts by a number of leading exporters had reduced the availability of spot cargoes.

North Sea prices have also risen as a result of market conditions in Africa. Following the widespread cancellation of high-priced African contracts, companies have been turning increasingly to the North Sea where similar grades of crude oil are produced.

As a result North Sea spot prices are almost in line with contract rates, to the relief of some independent producers who dispose of their available oil on the open spot market. In mid-June, British National Oil Corporation and other producers lowered the reference price for contract supplies of Forties crude from $39.25 to $35 a barrel.



During the past nine months there has been a marked swing in spot prices, reflecting the oil glut created by reduced demand and plentiful Saudi supplies. In November, when oil companies were stocking for the expected winter demand, the spot price of Forties oil rose to between $41 and $42 a barrel.

Saudi Arabia is maintaining its campaign to unify Organisation of Petroleum Exporting Countries oil prices at a basic level of $34 a barrel. This is $2 a barrel less than the amount charged by many Middle East producers, but $2 a barrel above the level currently set for its own crude.

France and Mexico end oil price row, Page 4

Singapore hunts for foreign fund managers

By Kevin Rafferty in Kuala Lumpur

DR GOH KENG SWEE, Singapore's First Deputy Prime Minister, leaves for England at the weekend on a head hunting mission to find four experienced fund managers to help the country make better use of its considerable foreign exchange reserves.

Singapore recently set up a separate investment corporation headed by Mr Lee Kwan Yew, the Prime Minister, specifically to handle the reserves—which are estimated at $15bn, though no official figures are published — and increase earnings from then.

Mr Lee wants to see diversification of the reserves, with switches between currencies, and new investment into equity and real estate.

In addition, the Prime Minister is also keen to see Singapore take up major equity positions in selected multi-national companies — especially those in areas like high technology—with a view to getting Board membership and raising Singapore's ability to attract their investment.

The Monetary Authority in Singapore, which previously managed the reserves, was severely criticised earlier this year for the short term nature of its investments. Mr Michael Wong Pak Shong, its managing director, and several other leading officials were forced to resign. Dr Goh was put in charge of the authority.

Dr Goh, a close associate of Mr Lee, is generally credited as the mastermind of Singapore's original "economic miracle" in the 1960s.

Singapore is thought not to have enough experienced fund managers to supply its own senior executives for the investment corporation.

Although the expatriate posts have not yet been specifically advertised, it has been known in financial circles for some time that Singapore is looking for four expatriates, preferably with 15 years experience in fund management. The authorities hope to have the new team working by the end of August.

Weather

UK TODAY

SHOWERS and sunny intervals. Northern Ireland, Northern England and much of Scotland will have heavy showers. Rather cool.

London, S. and S.E. England, Midlands, E. Anglia
Scattered showers, sunny intervals. Max. 19C (66F).

E., N.W. and N.E. England, Lake District, IoM
Showers, heavy at times. Sunny intervals. Max. 19C (66F).

S.W. England, Channel Islands, Wales
Scattered showers, sunny intervals. Max. 18C (64F).

W. Scotland, Highlands, N. Ireland
Showers, heavy at times. Sunny intervals. Max 16C (61F).

Borders, Cent. Scotland, Aberdeen, Moray Firth
Showers, sunny intervals. Max. 17C (63F).

N.E. Scotland, Orkney and Shetland
Showers, heavy at times, sunny intervals. Max. 14C (57F).

Outlook: Sunny intervals and scattered showers, further rain spreading from the W. on Sunday. Temperatures recovering to near normal.

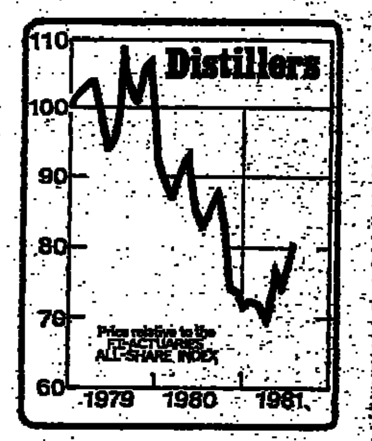
WORLDWIDE

		Y'day midday				Y'day midday	
Ajaccio	S	25	77	L. Ang.†	F	19	66
Algiers	S	27	81	Luxmbg.	F	18	64
Amsdm.	C	18	64	Luxor	S	42	108
Athens	F	31	88	Madrid	S	33	91
Bahrain	S	35	95	Majorca	S	27	81
Barclna.	S	26	79	Malaga	S	29	84
Beirut	S	28	82	Malta	S	29	84
Belfast	C	14	57	M'chstr.	R	14	57
Belgrd.	S	25	77	Melbne	S	17	63
Berlin	C	19	66	Mx C.†		—	—
Biarritz	C	20	68	Miami†	S	28	82
Bmghm.	C	18	64	Milan	S	26	79
Blackpl.	C	14	57	Montrl.†	F	19	66
Bordx.	C	21	70	Moscow	T	21	70
Boulgn.	C	14	57	Munich	F	20	68
Bristol	R	16	61	Nairobi	C	19	66
Brussels	F	18	64	Naples	S	28	82
Budpst.	F	22	72	Nassau		—	—
Cairo		—	—	Nwcstl.	R	13	55
Cardiff	C	16	61	N York†	S	23	73
Cas'b'ca	S	24	75	Nice	S	26	79
Cape T.		—	—	Nicosia		—	—
Chicg †	S	21	70	Oporto	S	33	91
Cologne	F	21	70	Oslo	F	18	64
Cpnhgn.	C	17	63	Paris	C	19	66
Corfu	S	31	88	Perth	C	18	64
Denver†	S	18	64	Prague	F	21	70
Dublin	F	15	59	Reykjvk.	F	09	48
Dbrvnk.	S	28	82	Rhodes	S	26	79
Ednbgh.	F	18	64	Rio J'o†		—	—
Faro	S	29	84	Rome	S	26	79
Florence	S	31	88	Salzbrg.	F	18	64
Frankft	C	21	70	S F'cisc†	C	11	52
Funchal	S	24	75	S. Moritz		—	—
Geneva	S	24	75	Singapr.		—	—
Gibraltar	S	24	75	S'tiago†		—	—
Glasgow	F	15	59	Stckhm.	T	15	59
G'rnsey	C	16	61	Strasbg.	F	25	77
Helsinki	R	16	61	Sydney	S	19	66
H. Kong	S	32	90	Tangier	S	31	88
Innsbrk.	F	21	70	Tel Aviv	S	28	82
Invrnss	F	14	57	Tenerife	S	26	79
I.o Man		—	—	Tokyo	F	33	91
Istanbul	S	27	81	T'ronto†	S	18	64
Jersey	R	16	61	Tunis	S	28	82
Jo'burg		—	—	Valencia	S	29	84
L. Plms.	S	24	75	Venice	F	25	77
Lisbon	S	28	82	Vienna	S	21	70
Locarno	S	26	79	Warsaw	F	20	68
London	R	18	64	Zurich	F	21	70

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Sterling stiffener for Distillers



The equity market was able to absorb the MP rights issue stick with no trouble yesterday; it might, after all, have been so very much worse—and the eventual 4.4 point decline in the FT 30-Share Index owed a lot to yet another fall in gilt-edged. The full money figures for June confirm the suspicion that, although sterling M3 may be under control, domestic credit is still growing rapidly, as is the broad M3 measure which includes UK residents' burgeoning foreign currency holdings.

Distillers

Distillers has pleasantly surprised itself after its warning in December that profits would show a substantial fall. In the event the decline at the trading level in the second half has proved smaller than in the first. In the year to March pre-tax profits have slipped by a mere £12.9m to £181m, and £8.2m of this can be attributed to the turnround into loss at United Glass.

The key reason has been an unexpectedly vigorous response by distributors to the New Year notice of a forthcoming price increase, particularly in the U.S., Venezuela and Europe. Coinciding with the surge in volume, the final quarter saw the beginning of the benefit from weaker sterling.

But because sales have been pulled forward, volume so far in the current year has been correspondingly poor. There is still no sign of any recovery in final demand and the company remains on short-time working. Meanwhile, the competition from off-loaded cheap whisky in European supermarkets has begun to dent DCL's market share and the Japanese market has been badly affected by parallel importing.

But volume is by no means the whole story, and the weakness of sterling is now the big play in this share. The improvement in export margins promises to be dramatic this year and already the share price has come up from a 1981 low of 178p to 232p, including 2p yesterday. The yield is 6.8 per cent.

GUS

The stock market was relying on Great Universal Stores to push its pre-tax profits up from £172.8m to near £180m—the actual figure was £179.5m—but was less sure about the prospects for a higher dividend. In the event, the total is up by 7½ per cent, leaving the "A" share price 5p higher at 455p last night—though the yield is still only 4.0 per cent.

Although the pressures in UK retailing have tested GUS severely, the group has proved to be fully up to the trial. In mail order it has pushed ahead, aided perhaps by the weakness of its main competitor, Littlewoods. Other UK retailing activities have encountered problems—with the exception of Art Wallpapers—but the gap has been filled by better results from overseas, from the Global Tours offshoot, and in particular from the finance division.

The group's strategy during the recession has been to spurn any Debenham's-style chase for volume—its turnover actually fell 2 per cent in the second six months—but to take advantage of ready availability of merchandise from manufacturers to run its stocks down. In the process, another £60m has been added to the finance division, cash resources, now £160m or so. Despite lower interest rates, this is keeping finance profits up in the current year, and weaker sterling will boost the overseas contribution. So after three months, profits overall are a little ahead of last year though the retailing picture remains distinctly unexciting.

Unigate

Unigate's pre-tax profits for the year to March have tumbled from £51.4m to £38m after a decade of uninterrupted progress, but the shares responded to the results with a 6p rise to 108p. Some of this movement reflected sheer relief—a strange wind of pessimism had swept the brokers' analysis a week or so ago—and the 8 per cent rise in the final dividend must have helped, since the interim statement had suggested no change.

The balance sheet, too, still looks very strong: £77m of goodwill has been written off, a £68m property revaluation has been incorporated, and net debt has been held below 10 per cent of shareholders' funds by some rather artificial working capital movements.

The liquid milk business is still benefiting from the January price rise, while consumption is quite steady for once, but elsewhere in food margins remain under considerable pressure, particularly in meat where Unigate is having to draw on balance sheet provisions to stay in the black. Gillspur will be in for the full 12 months in 1981-82 and it would be surprising if the group's profits did not show a worthwhile bounce, perhaps to £45m pre-tax. The company is spending a great deal of money on operational efficiencies, and it seems determined not to be stampeded into a big acquisition. But it will take a couple of years to climb back to £50m pre-tax, and the doubts about the stability of Unigate's management are reflected in the 8½ per cent yield.

Rothmans

Shareholders can no longer complain about Rothmans not releasing more of its earnings in the shape of dividends, although the reduction in the level of cover has not taken place in quite the way the critics envisaged. Certainly the payout has been raised by some 5 per cent more than the rate of inflation in the last two years, but over the same period pre-tax profits have fallen by £27m to £71.2m. In the most recent year, to March, the decline was 11½ per cent and it would have been 17 per cent but for the sale of brewing trademarks. So current cost cover is now well under the stratosphere, at 1½ times.

The main damage has been done in tobacco in the second half, with a decline in operating profits of two-fifths. Tough trading conditions have affected in the UK, where the group is losing market share. A weaker pound should produce benefits for UK exports in the current year, but the main determinant of future share price movements will be the relationship between Rembrandt and Philip Morris. The shares rose 2p yesterday to 72½p, where the yield is 7½ per cent.

Senators back phone company on data market

By Paul Betts in New York

AMERICAN Telephone and Telegraph, the dominant telephone company in America, cleared the first major hurdle yesterday in its efforts to enter the data processing and transmission markets while maintaining its presence in the telephone business.

The Senate commerce committee had approved a new telecommunications deregulation Bill which, if approved by Congress, will allow AT and T to compete against such electronics giants as IBM, Exxon and Xerox in the fast growing data processing and other telecommunications markets.

Under the Bill, basic telephone services in the U.S. would remain regulated by the Federal Communications Commission, but AT and T would be allowed to form a separate company to compete in other markets which are unregulated.

The House of Representatives commerce committee is now expected to put together its own Bill by September and the entire issue, which will significantly change the U.S. telecommunications industry, is expected to go to the floor of both the Senate and the House by the end of this year.

The Senate committee defeated an amendment requiring at least 10 per cent of the new unregulated AT and T subsidiary to be owned by investors other than the telephone company. The Bill allows AT and T to own all the subsidiary's stock and lend money to the new company.

AT and T's competitors vigorously opposed this, fearing the parent company, with its huge resources would have an unfair advantage in the market.

The Bill bars the new subsidiary from plugging data banks and other programmes into its lines with the exception of time, weather, telephone directory information and yellow pages directory information without advertising.

The American Publishers Association lobbied fiercely to prevent AT and T from offering data banks on its lines.

The Senate committee also defeated an attempt to bar AT and T's new subsidiary from owning its own transmission facilities until effective competition existed against its own basic telephone network.

Large corporate users of AT and T's special services, including Westinghouse, Bank of America, and General Motors, claimed that by owning its own transmission facilities, AT and T would invest heavily in transmission lines owned by its unregulated subsidiary while letting the regulated lines deteriorate.

AT and T said yesterday it was "very encouraged" by the Bill. Although it continues to face a giant anti-trust court case and has recently lost a number of private anti-trust suits, it appears to feel the odds are increasingly shifting in its favour.

Sharp rise in overseas deposits as pound falls

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE WEAKNESS of the pound in foreign exchange markets has been reflected in a large outflow of sterling and in a continuing rapid build-up of foreign currency deposits by UK residents.

These trends were highlighted yesterday by Bank of England figures showing that sterling M3, the broadly defined money supply, rose by 0.2 per cent last month.

Sterling M3 was significantly affected by external influences. There was a drop of nearly 4 per cent in sterling against the dollar in the month to mid-June.

The overall balance of external and foreign currency factors in the period was negative by about £330m. This implies an outflow of sterling from the private sector and suggests that the combined current and capital accounts of the private sector of the balance of payments swung from surplus to deficit.

The civil service dispute has prevented the publication of the monthly trade figures. But it is possible that the current account has deteriorated from the big surplus of the winter.

The parallel trend has been a sharp rise in the foreign currency deposits of UK residents. Even after excluding the impact of exchange rate movements, the rise last month was £440m, producing an increase of £2.6bn in the past six months. This is equivalent to nearly three-quarters of the rise in sterling M3 (which excludes such deposits) over the period.

These deposits appear to have been built up primarily by UK companies rather than private investors, but it is unclear whether this is to carry out commercial transactions, or to finance overseas investments or as a hedge against a fall in the pound.

There is consequently a lively debate about whether these foreign currency deposits represent a potential threat to *monetary control and are thus* an upward pressure on inflation.

The deposits are certainly a form of liquidity, though if money is switched back into sterling the consequent rise in the pound would have a favourable impact on inflation.

These overseas influences have injected a note of caution into discussion of the monetary outlook though the Bank of England reckons that, after adjusting for the Civil Service dispute, sterling M3 is likely to be rising at an annual rate within the 6 to 10 per cent target range.

Additional uncertainties concern the possibility that bank lending to the private sector might rebound once the dispute ends when companies have to raise money to pay taxes.

Last month the main expansionary influence on the money supply was Government borrowing — in large part resulting from the dispute.

Money supply within target, Page 7

Japan set to halt slide in yen

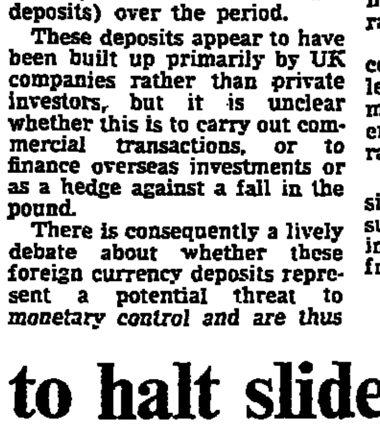
BY RICHARD C. HANSON IN TOKYO

JAPAN has signalled readiness to step in to halt the recent slide in the yen which hit a 14-month low against the U.S. dollar at one stage during trading in Tokyo yesterday.

Mr Michio Watanabe, the Finance Minister, said that Tokyo would prevent further depreciation of the yen. Mr Haruo Maekawa, Governor of the Bank of Japan, disclosed that the bank intervened yesterday in the foreign exchange market. In its judgement the yen is grossly undervalued.

Mr Watanabe did not specify what measures he would take to support the currency, but a Finance Ministry official said later that further depreciation could lead Tokyo either to "intervene heavily" on the foreign exchange market, or raise interest rates.

The yen, under strong pressure as a result of high U.S. interest rates and other "technical" factors, slipped in Tokyo at one stage to 232.60 to the dollar. Reports of Mr Watanabe's speech, made outside Tokyo, helped spark a recovery, and the yen closed at 230.65 after Wednesday's 231.35 finish. In London trading it fell back to 231.25.



The Bank of Japan is believed to have intervened quietly in support of the yen yesterday. According to some estimates concern over the yen's recent slide has prompted the Central Bank to sell more than $500m this month.

The Japanese Government considers the weakness of the yen "unavoidable" in light of the double figure gap in interest rates between Japan and the U.S.

In the next few weeks the market expects that the yen will continue to slip toward the 235-240 level as long as U.S. interest rates remain high.

Tokyo sees little chance of U.S. easing of interest rates for the time being.

According to Mr Hiroshi Ogai, a foreign exchange specialist at Sumitomo Bank, the yen also suffers from a sharp disparity between supply and demand for dollars on the Tokyo market.

Mr Ogai traces the yen's decline since the New Year in part to heavy overselling of dollars in January to cover forward export contracts.

The supply-demand gap for dollars in July is put at over $2bn, which will only partially be compensated for by dollar-selling intervention by the Bank of Japan selling dollars.

Heseltine

Continued from Page 1

already been launched, but confirmed that two senior civil servants from the Home Office had visited Brixton to investigate the damage caused during the police swoops.

In general, Mr Whitelaw said, the police must have available any equipment they need to quell rioting, including water cannon, plastic bullets, and CS gas. But he stressed that those would be used only in the last resort, and he had no wish to encourage their use.

He was equally cool toward the prospect of fresh legislation to restore the Riot Act, which would give the police additional powers to dispel mobs. He said the whole issue was under examination by Lord Hailsham, the Lord Chancellor; Sir Michael Havers, the Attorney-General; and himself; but implied that he saw little advantage in a new Act.

During the debate angry Labour MPs persistently heckled Mr Enoch Powell, Ulster Unionist MP for Down South, when he repeated his statements that the growth of the coloured population in London and other areas would make them "ungovernable," and produce situations which could effectively be described only as civil war.

Although an additional £93m is to be made available for the youth opportunities' programme later this year, it was confirmed that the Cabinet had reached no conclusion on the ambitious proposal put forward by Mr James Prior, the Employment Secretary, for an extra £600m to produce more jobs and training opportunities for young people.